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TODAY
Forms and Formulas, Page 15
MONEY

Malaysia Plans to Send Foreign Workers Home

As Economic Crisis Deepens, Kuala Lumpur Says It Will Deport One Million Immigrants

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Malaysia said Friday that it expected to deport a million foreign workers this year, a move that could send a wave of unemployed expatriates back to Southeast Asian nations already suffering from the region's economic crisis.

Malaysia's deputy home minister, Tajo Rosli Ghazali, said workers would be sent home "in line with the government's policy of reducing foreign workers, ensuring that they are not depriving the locals of jobs." He did not give a specific timetable for the repatriation.

The official Bernama news agency reported that the foreign workers would be deported "following the move by certain sectors to reduce their work

force due to the economic slowdown." A repatriation of workers would be a double blow to many Asian countries: They would no longer receive the cash remittances that flow from their national working abroad, and the returnees would arrive home needing support and seeking jobs that have become scarce in the economic downturn.

Many of Malaysia's 2 million legal foreign workers hail from Indonesia, which is suffering not only from the region's financial crisis but also from low crop yields caused by drought and the thick haze from fires set to clear plantations that shrouded much of Southeast Asia for several months last year.

In addition to Indonesians, workers from Bangladesh, Thailand and India travel to Malaysia in search of jobs. For Malaysia, one million workers represents about a tenth of the work force. The foreign labor is concentrated in the construction industry, the plantation sector and the hotel and restaurant business.

Analysts said, however, that the logistics of sending home a million workers would be difficult.

"It's easier said than done," said Abdul Razak Abdullah Baginda, executive director of the Malaysian Strategic Research Center. "How do you physically do it? You need the cooperation of the Indonesian government and other neighboring countries."

He added: "You can get rid of 100,000 foreign workers in a couple of days, but that doesn't assure that they won't be back the next day because of the porous nature of our borders."

Malaysia also has around 800,000 foreigners working illegally in the country. Kuala Lumpur repatriated 9,000 illegal workers to Indonesia last year.

Throughout Southeast Asia, the downturn has raised social tensions and the rhetoric related to foreign workers.

In Thailand, which saw the arrival of hundreds of thousands of illegal workers from Burma, Cambodia and Laos during the boom years, an official recently called for a "drastic crackdown on illegal immigrants."

"They must be arrested and sent back

See MALAYSIA, Page 4

Still at Large In Hong Kong: Thousands of Live Chickens

By Keith Richburg
Washington Post Service

HONG KONG — Despite government vows that "no chickens will be allowed to walk free in the territory," Hong Kong was awash Friday with sightings of live birds that may carry a deadly avian flu.

And panicky residents fear that stray dogs, cats and rats may become the next carriers of the virus after animals were seen eating the carcasses of destroyed poultry.

With thousands of chickens appearing alive on evening television news programs, and with new worries that dead chickens had not been properly disposed of, politicians, poultry workers and others stepped up their criticism of the government's handling of the crisis.

Some are demanding the resignation of top officials for what is rapidly becoming not just a public health, but a public relations, disaster.

The chief executive of Hong Kong, Tung Chee-hwa, conceded Friday that the government had made mistakes in its handling of the "bird flu" crisis and of a mass slaughter of chickens aimed at stemming the spread of the virus that has claimed 15 confirmed and six suspected victims. In the most recent case, a 3-year-old boy fell ill with the virus. Four victims have died.

"Improvement needs to be made, and we are going to make these improvements," said Mr. Tung, who had largely been keeping a low profile since the flu outbreak created widespread fears of a pandemic.

"We are looking at these things very urgently," Mr. Tung said after an emergency meeting of his advisers. "We hope these will be all sorted out sometime soon."

The government announced its mass

See FLU, Page 4

The Dollar		
New York	Friday @ 4 P.M.	previous close
DIM	1.8035	1.7885
Pound	1.8455	1.6556
Yen	132.295	130.13
FF	6.0346	5.987
The Dow		
	Friday close	previous close
+56.79	7985.04	7808.25
S&P 500		
change	Friday @ 4 P.M.	previous close
+4.2	875.04	970.84

Yen and Mark Fall Against the Dollar

The dollar rose sharply against the yen and Deutsche mark in late trading Friday, amid expectations the Japanese and German economies would continue to sputter in the new year. Page 10.

Newstand Prices		
Andorra	10.00 FF Lebanon	LL 3,000
Afghanistan	12.50 FF Morocco	16 DH
Cameroun	1,800 CFA Qatar	10.00 QF
Egypt	£5.50 Réunion	12.50 FF
France	10.00 FF Saudi Arabia	10 SR
Gabon	1,100 CFA Senegal	1,100 CFA
Italy	2,800 lire Spain	225 Pesos
Ivory Coast	1,250 CFA Tunisia	1,250 Din
Jordan	1,250 JD UAE	10.00 DH
Kuwait	700 Fils U.S. M.	(Eur) \$1.20

Are French Warming Up For Another Explosion?

Wave of Violence Linked to Marginalization'

By Anne Swardson
Washington Post Service

PARIS — Paris is hot burning, but the rest of France looks hotted these days.

A series of violent incidents around the country in the last few weeks, including the burning of 62 cars by about 300 youths in the city of Strasbourg overnight on New Year's Eve and New Year's Day, has given rise to fears France may be on the verge of another outburst of strikes and riots.

Two young men were killed by the police in different cities in late December, prompting car-burnings and other street protests. Bus drivers around France have been sporadically striking for weeks to protest nighttime aggression against them by young riders, including being spat upon, kicked and hit with baseball bats. Several hundred unemployed workers and their supporters are occupying 13 unemployment offices around the country, demanding year-end bonuses in their benefits.

In addition to the violence in Strasbourg, 59 cars were burned in the sub-

urbs around Paris on New Year's Eve, according to press reports.

The incidents may be random, or related to the holiday season and warmer-than-normal weather. But such violence clearly always raises concerns in France, a country known since 1789 for explosions of public anger that can overthrow governments, reverse government policies and bring new faces to public power. Last year at this time, only a handful of violent events marked New Year's.

Although French newspapers and television usually do not say so, the vast majority of the perpetrators are of Arab and North African extraction, residents of the grim and hopeless housing complexes that ring Paris and many other major French cities. Young members of these communities, overwhelmingly jobless regardless of their level of education, feel they have little chance of integrating into French society, an expert said.

"There is a real problem of mar-

See FRANCE, Page 4



NO PLACE LIKE HOME — A group of Kurdish refugees looking out from a charitable shelter in San Foca, Italy. The country's open immigration policy is drawing the ire of its northern neighbors. Page 2.

Kenya Tally Shows Moi On His Way To Victory

But 2 Rival Candidates Call the Voting Rigged And Seek New Election

By James C. McKinley Jr.
New York Times Service

NAIROBI — President Daniel arap Moi, the 74-year-old master politician who has led this country for 20 years, appeared headed toward victory Friday in Kenya's flawed and chaotic elections, with the first official tallies showing him comfortably ahead of his four main challengers.

But the two top opposition candidates, Mwai Kibaki of the Democratic Party and Raila Odinga of the National Development Party, called on election officials to cancel the results, contending that the returns had been hopelessly skewed by widespread ballot shortages, delays and, in some cases, outright fraud.

They accused Mr. Moi's governing party of rigging the results in favor of the president and called on the Kenya Electoral Commission to hold a new poll within three weeks.

"We want justice," Mr. Kibaki said at a news conference. "The ordinary Kenyan queued for two days and did not get the ballot to vote. Surely he has the right to vote."

Shortly before the opposition candidates spoke, leaders in Mr. Moi's party, the Kenya Africa National Union, urged the opposition to accept defeat and warned that the government would come down hard on any politician who incited violence after the results were in.

"Now that the will of the people has been expressed through the ballot, all those concerned should accept the verdict of the people," the governing party said in a statement.

The election was widely seen as a test of how far Kenya has progressed from the autocratic one-party state Mr. Moi constructed in the 1980s to a democracy on the Western model. Mr. Moi's opponents have charged that graft and corruption thrived for decades in his government, leaving the economy and infrastructure of this once prosperous former British colony in shambles.

In 1992, Mr. Moi reluctantly agreed to accept multiparty elections after heavy international pressure was brought to bear. But he won the election that year with only 37 percent of the vote, largely because the opposition was split along tribal lines while his coalition of small tribes from the Rift Valley and coast voted as a block.

The first official returns in this year's race show little has changed. In a mid-afternoon statement, election officials said that with 126 of Kenya's 210 constituencies tallied, Mr. Moi had 1,538,116 votes, well ahead of his nearest challenger, Mr. Kibaki with 1,276,096 million votes.

The announcement confirmed an unofficial count broadcast on state television Friday morning, which showed that with 163 constituencies counted, Mr. Moi was leading Mr. Kibaki by nearly 300,000 votes — about 1.9 million to about 1.6 million.

Perhaps more important, the president has so far managed to pull more than a quarter of the vote in five of the country's eight provinces, avoiding a runoff election under an unusual electoral rule that is designed to make sure the president does not have support from only one region, according to unofficial counts on state television.

See KENYA, Page 4



An elderly Moscovite checking new price tags at a store on Friday after the ruble lost its zeros in a reform that has been greeted with suspicion.

saw it turn overnight into meaningless strips of colorful paper.

A similar reform in 1993, when President Boris Yeltsin withdrew all Soviet-era rubles, was almost as painful.

Banking officials say nothing so

drastic is possible this time. And they note that although a stampede was widely expected in 1995 when new 100-dollar bills, the single most important

See RUBLE, Page 11

AGENDA

Niger's Ex-Leader Arrested for Plot

NIAMEY, Niger (Reuters) — The former prime minister, Hama Arnaudou, was arrested Friday after the authorities linked him to an alleged plot to assassinate President Ibrahim Bare Mainassara.

Mr. Arnaudou's political party called the alleged plot a fabrication by an "authoritarian and unpopular leadership" bent on plunging the country into civil war. The capital, Niamey, remained calm.

In January 1966, Mr. Mainassara, then army chief of staff, toppled Mr. Hama's government.

THE AMERICAS Page 3 Love of a Sport Killed Kennedy

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The IHT on-line www.iht.com

EU Phone Market Open? German Users Cry Foul

Ex-Monopoly Imposes Big Fee for Switching

By John Schmid
International Herald Tribune

FRANKFURT — Europe's new era of open competition in telecommunications was in its second day Friday when Germany's powerful former state monopoly, Deutsche Telekom, popped a surprise on its customers and rivals: a steep new fee on subscribers who decide to take their business elsewhere.

Deutsche Telekom AG, which has angered callers for years with high prices, announced that it would charge customers 95 Deutsche marks (\$53) if they switched to another long-distance carrier.

The move prompted angry accusations of obstructing competition from Telekom's rivals.

Several companies rushed to file complaints with Germany's telecommunications regulator, saying the disconnection charge amounted to a fine on customers who switched to a competitor.

The case will be closely watched because Germany is Europe's largest and most hotly contested telecommunications market. It will test Bonn's newly created telecommunications regulator, which must strike a balance between the interests of consumers, new competitors and Telekom, which is still majority owned by the government.

The case also reflects the burdens many challengers face in Europe's big-bang deregulation, especially in Germany, where new operators must cope with protracted negotiations for the right to connect to Telekom's network, and where some start-ups have suffered delays in inaugurating their services.

"Telekom wants to hinder competition with high fees," said a spokesman for O.tel Communications GmbH, an upstart carrier based in Dusseldorf and owned by the German industrial groups VEBA AG and RWE AG. "That is why we decided to call on the regulators."

Elmar Huelsmann, deputy chairman of Mannesmann Arcor AG, another challenger that filed a complaint, said: "We assume it is a clear competition violation by the former monopoly."

See COMPETE, Page 4

Italy's Open Borders Irk Neighbors

By John Tagliabue
New York Times Service

ROME — After a second ship packed with hundreds of Kurdish refugees was intercepted off the Italian coast in less than a week, Italy found itself caught in a crossfire between its northern European neighbors and Turkey over its open-door policies toward such immigrants.

The Panamanian-flag vessel with more than 700 Kurds aboard was adrift and without a captain when it was intercepted Thursday and escorted by Italian naval vessels to Otranto on the heel of Italy's boot, according to Italian news reports. Last Saturday, 825 refugees, mostly Kurds from Turkey and Iraq, were evacuated from a ship that ran aground on the southern Italian coast.

The latest wave of Kurdish refugees, most of whom come from Turkey, has stoked fears in northern Europe, particularly Germany and Austria, that Italy's open attitude and porous borders will enable thousands of immigrants to slip illegally into their countries.

The long Italian coastline is virtually indefensible against refugees. In numerous waves in 1997, 16,000 Albanians

Germany and Austria Fear Immigrant Wave

ans fled political turmoil at home and escaped to southern Italian ports. Now, the arrival of the Kurds may prove to be a more intractable problem than that of the Albanians, most of whom were ultimately repatriated under an agreement with the Albanian government.

Bonn fears that many of the Kurds will exploit a 15-day period that Italy allows to determine their status and will leave for Germany, which offers better job opportunities and an established Kurdish community.

The Italian government, under heavy pressure from Roman Catholic charitable organizations and human rights campaigners, has thrown open its arms to the Kurds. In an annual New Year's Eve address in Rome, President Oscar Luigi Scalfaro affirmed that Italy's "doors must be wide open" to refugees who flee "because they are living with persecution."

But he urged the European Union to seek dialogue with such nations as Turkey, whose shaky human rights record is

often seen as a major cause of the refugee problem.

After a government meeting this week, Interior Minister Giorgio Napolitano said there was "no doubt" about the persecution of the Kurds "in Iraq and certain regions of Turkey." Italy, he said, would take a "positive attitude" toward Kurdish requests for political asylum.

Turkey, which is smarting from a recent rebuff of efforts to join the European Union, is particularly sensitive to accusations that it is trudging on the rights of its Kurdish minority. It views its military actions to put down Kurdish separatism in the southeastern region of the country as a purely domestic matter and fears that any international discussion could lead to outside intervention.

Meanwhile, the Italian authorities, as parties to the so-called Schengen group of European countries that have begun phasing out border controls, are being scrutinized by their neighbors to the north, most notably Germany and Austria. Italian officials confirmed Thursday that the Austrian authorities had reinstated controls at crossing points on their southern frontier with Italy.

The *Suddeutsche Zeitung* said in an editorial on Wednesday that the Italian actions "confirmed the fears of Germany" about the inclusion of southern European countries in the Schengen arrangements. The newspaper recalled

Press Names Official Whose Son Sold Hash

By Tom Buerkle
International Herald Tribune

LONDON — The story has been a boon for the British press during the year-end holiday lull: The son of a senior government minister was caught selling £10 worth of cannabis to a tabloid journalist in a London pub.

For a week, the press has raked over every detail in a seeming search for a morality tale fit for modern Britain.

Should the minister resign? Should the press flout a law protecting the privacy of minors involved in criminal proceedings and name the minister? Is the government's tough anti-drug stance out of step with a society that increasingly indulges in drugs?

One of those questions was answered Friday when the High Court lifted an injunction against naming the minister, who turned out to be Jack Straw, the home secretary, who is responsible for leading the government's fight against drugs and crime.

Mr. Straw recently proposed a network of parenting classes that parents of delinquent children would be compelled to attend. "Parents are responsible for their children," he told *The Daily Telegraph* in an interview just before his son's case broke.

At a hastily arranged news conference, Mr. Straw talked of his "shock and concern" after *The Daily Mirror*, a normally pro-government tabloid, told him that his 17-year-old son, William, had sold hashish to a Mirror reporter on Christmas Eve. He promptly marched his son to a south London police station, where the youth acknowledged making the sale — of 1.92 grams (0.07 ounces) of hashish — and the Mirror printed the article without naming Mr. Straw or his son.

Government prosecutors are expected to announce this coming week whether to press criminal charges or let William off with a caution, a common recourse for small transactions of soft drugs. Mr. Straw insisted that his son would not receive special treatment, and he appealed to the press not to single William out for harsher coverage because of his father's position.

Mr. Straw won immediate backing from Prime Minister Tony Blair, who said through a spokesman that Mr. Straw had "acted honorably and correctly throughout this episode."

The opposition Conservative Party refrained from any immediate criticism.

Sir Brian Mawhinney, the party's spokesman for home affairs, expressed sympathy for Mr. Straw and his family and said he had no intention of demanding Mr. Straw's resignation.

The case is likely to add fuel to a growing national debate about drug policy. Mr. Straw has headed the Labor government's campaign against drugs, which included the naming of a U.S.-style drug "czar" in the autumn.



A boat struggling to leave the harbor in Conquet, western France, under heavy winds.

Did London Spy on Partners?

European Allies Were Targets, Ex-Intelligence Officer Says

Reuters

LONDON — Britain has spied on its European partners, a former British intelligence officer told a newspaper reporter whose article appeared Friday.

Michael Cockerell, writing in *The Guardian*, said he had spoken to the former officer while making a documentary film for the BBC about the job of foreign secretary.

"Of course we're all spying on each other," the former officer, who had worked at government communications headquarters but was not otherwise identified, told Mr. Cockerell.

"It would be as vital to know where your European partners are coming from as it was to know the order of battle of Soviet forces during the Cold War," Mr. Cockerell quoted the former officer

as saying.

Mr. Cockerell's documentary, "How to Be Foreign Secretary," is to be shown on BBC 2 television Sunday.

Because Foreign Secretary Robin Cook declined to talk about covert surveillance, Mr. Cockerell sought out his predecessors and other officials.

Did David Owen, who was foreign secretary between 1977 and 1979, receive intelligence on Britain's European partners? "A bit," Mr. Cockerell quoted Mr. Owen as saying.

Lord Robin Renwick, whose diplomatic career spanned 30 years, said that Britain has "intelligence coverage of all really important negotiations that Britain is involved in." He was vague about whether this included European partners.

Kaunda's Lawyers Go to Court

The Associated Press

LUSAKA, Zambia — An unshaven former President Kenneth Kaunda, accused of fomenting a failed coup, appeared in court Friday, where his lawyers demanded an easement of his house arrest and a speedy trial, or its release.

Britain, meanwhile, canceled a minister's trip to Zambia to protest the government's actions against Mr. Kaunda.

"It would be wrong for me to visit so long as Dr. Kaunda remains in custody but uncharged, and in the absence of a commitment from the Zambian authorities that I will be able to see him," Foreign Minister Tony Lloyd said in a statement.

Mr. Kaunda, 73, spoke to about 50

supporters and journalists Friday outside the high court in Lusaka. He said the government, out he was, was on trial and urged his backers not to be hit.

By speaking, Mr. Kaunda may have technically violated the terms of his house arrest, which forbid him from participating in political activities and speaking to the media. Mr. Kaunda was arrested Dec. 25 under a state of emergency enacted Oct. 28 after the government asserted it had stopped an attempted coup. He has repeatedly denied involvement in the coup attempt.

After a three-hour hearing, Judge James Mtale said he would rule Jan. 6 on an application to force the government to charge Mr. Kaunda.

Mr. Kaunda, 73, spoke to about 50

TRAVEL UPDATE

Paris Train Stations Brace for Rush

PARIS (AP) — Train stations here were bracing for mammoth crowds of holiday travelers over the weekend, with the peak Sunday, when 300,000 people were expected to arrive.

A total of 1,850 trains were due to arrive in the city over the weekend, the state railroad said. Extra staff wearing red sweaters will be on hand to help direct travelers.

El Al Offers European Pilgrimages

JERUSALEM (AP) — El Al is offering ultra-Orthodox Jews one-day pilgrimages to the tombs of rabbinical sages in Eastern Europe.

The first flights, to Hungary and Poland, will begin in March. Strictly kosher meals are guaranteed and the \$399 price includes a visit to a synagogue and to a mikvah ritual bath.

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Two refugee children looking pleased with their new surroundings, a migrant shelter near Brindisi in southern Italy, as a policeman looks on.

PARIS — French researchers have discovered a hereditary genetic mutation that appears to provide resistance to the virus that causes AIDS, a medical journal reported Friday.

The findings are reported in the Jan. 3 edition of the British medical journal *Lancet*.

For more than a year, American and European researchers have been pursuing the hypothesis of molecular mutations that would naturally provide protection against AIDS.

A team created by Dr. Alberto Beretta at St. Luc's hospital in Paris and Dr. Luc Montagnier of the Pasteur Institute, who is the co-discoverer of the AIDS virus, took blood samples from 18 men at high risk who over time did not contract the virus, the *Lancet* article said.

The AIDS virus enters the cells of humans with the help of proteins called receptors. Researchers have previously noted that individuals resistant to AIDS have two copies of a gene mutation — called Delta 32 — in one of the protein receptors, called CCR5.

The latest discovery, however, reveals that it is the Delta 32 combined with a second mutation — called m303 — that helps people remain uninfected despite frequent unprotected sex with infected partners.

In the study, conducted by 10 scientists, one man who had both mutations and had been repeatedly exposed to the AIDS virus displayed a natural resistance. His father and sister also had the same genetic configuration, which appears to be inherited, the journal said.

The researchers then wanted to find out whether this mutation existed only in one family, or in the general population. They tested 209 healthy blood donors and found that three had the m303 mutation, indicating it was not unique to one family. The article said scientists believed the presence of the m303 mutation in European countries was "appreciable."

French media, including the newspaper *Le Monde* and *LCI* television, said that in the future, such naturally resistant molecules could be artificially produced and perhaps used to help provide resistance to people already infected with AIDS.

Violent Storm Pummels France, Britain and Spain

Compiled by Our Staff Photo Despatch

BREST, France — Violent winds ripped across the Atlantic Coast of France on Friday, killing a truck driver whose cab was crushed by a falling tree, the police said.

The high winds and driving rains also caused power cuts in Brittany and forced the cancellation of ferry service between the mainland and Belle Ile, off the southern coast of Brittany.

Winds of more than 150 kilometers an hour (90 miles an hour) were recorded in Brittany and Normandy, and the electricity supply to Brest and Quimper was briefly cut off.

The authorities warned people to stay away from the seaside to avoid being washed away by the pounding ocean.

Seas were expected to swell up to eight meters (26 feet).

The storms — associated with a cold front from the North Atlantic moving across France and southern England — were expected to subside late Friday, but further violent winds were expected Sunday, weather forecasters said.

In Britain, three people, including a baby, were killed in a head-on collision in Gloucester blamed on fierce storms pounding the west of England, the police said Friday.

Forecasters there warned of winds of up to 145 kilometers an hour on the west coast of Scotland and in Northern Ireland.

In Spain, authorities said a storm sank about a dozen boats, including a 27-ton fishing boat, in the northern port of Puerto de Vega. No injuries were reported. (AP, AFP, Reuters)

BRIEFLY

New Czech Cabinet Sworn In

PRAGUE — The new Czech prime minister, Josef Tosovsky, pledged Friday that his government would step up economic reform and privatization and strengthen efforts to fight crime and corruption.

President Vaclav Havel formally appointed Mr. Tosovsky 16 ministers, who were named Wednesday, at a brief ceremony in Prague Castle.

A former central bank governor appointed after the government of Vaclav Klaus collapsed over a party financing scandal, Mr. Tosovsky said he would present his program to Parliament within 30 days. (Reuters)

Army Returns to Belfast Streets

BELFAST — British Army foot patrols will return to Belfast to reassure the Roman Catholic and Protestant communities after a spate of sectarian killings, the British sec-

retary for Northern Ireland, Marjorie Mowlam, said Friday.

Netanyahu Delays Vote On Budget

Crisis Centers on Demand For More Social Spending

Compiled by Our Staff From Dispatches

JERUSALEM — With Israel's budget negotiations threatening to create new delays in the peace process, Prime Minister Benjamin Netanyahu tried Friday to come up with more money for the poor and unemployed and keep his shaky coalition from unraveling.

Mr. Netanyahu postponed a vote on Israel's 1998 budget until Monday after Foreign Minister David Levy, the government's leading supporter of peace negotiations, said he would resign unless social spending were increased.

"The prime minister genuinely wants to keep David in the government," Moshe Lyon, director of the prime minister's office, said on Israel Radio. "We think we can find a solution."

Mr. Netanyahu said he was working with Finance Minister Yaakov Neeman to resolve the crisis.

Mr. Levy's Gesher faction controls five of the Netanyahu coalition's 66 seats in the 120-seat Parliament, and his resignation would probably cause other moderates to desert as well. Even if the government did not fall, Mr. Levy's departure would make it significantly harder for Mr. Netanyahu to win support for the West Bank troop pullback he had promised the Palestinians and United States.

Mr. Netanyahu was considering asking the special U.S. envoy to the Middle East, Dennis Ross, to delay his visit to the region, officials in the prime minister's office said. Mr. Ross was due to arrive Monday, the same day as the budget vote.

Mr. Levy's threat to resign came after the government missed a New Year's Eve deadline for passing the 207 billion shekel (\$58 billion) budget.

Mr. Levy has been the weakest link in Mr. Netanyahu's coalition since their uneasy alliance began, repeatedly threatening to quit over differences with the prime minister on the peace process and economic policies.

A Moroccan-born politician and a former bricklayer, Mr. Levy rose through trade-union politics and is a hero to many of his fellow Sephardim, or Jews of Middle Eastern descent. He also has been ridiculed for his frequently overblown rhetoric and tendency to cry wolf.

To many, Mr. Levy personifies the paradoxical confection by which many Sephardim — who make up about half Israel's population but form a disproportionately large percentage of the country's poor — to the Likud, which is led by Jews of European descent.

Members of Mr. Levy's Gesher faction insisted Friday that they would not negotiate a compromise deal with the government.

"We will not be satisfied with a situation where the prime minister is fooling the Knesset and fooling the nation," said David Magen, a legislator. "If the budget is not a socially-minded budget and there are not broad changes in it, we will work toward early elections for the prime minister."

Mr. Levy was particularly angered by the flurry of last-minute promises of extra funding Mr. Netanyahu made to West Bank settlers, ultra-Orthodox Jews and other special interest groups in order to win enough votes to pass the budget.

The opposition estimates that Mr. Netanyahu's pledges totaled 2 billion shekels. The Yedioth Ahronot newspaper said those pledges had raised government spending by more than 350 million shekels.

(AP, Reuters)



A car burning New Year's Day in the Robertsau district in Strasbourg, which was especially hard hit by violence.

Europe Has Updated Equipment to Deal With Millennium Problem

By Tom Buerkle
International Herald Tribune

LONDON — From the boutiques of Bond Street and the Latin Quarter to resort hotels in the Alps or the Costa del Sol, consumers can spend their way across Europe with little risk of having their credit cards rejected because of the millennium computer problem.

Many European banks have begun issuing credit cards with expiration dates in 2000 after overhauling "point-of-sale" terminals in stores, restaurants and hotels to accept the cards.

2000: Consumers Get an Early, and Rude, Taste of the Computer World's Glitch

Continued from Page 1

president for information technology at the National Retail Federation, a trade association based in Washington. "Not everyone has been able to fix their systems, and that means trouble for the prime minister on the peace process and economic policies."

Credit card companies contend that only a small percentage of stores cannot handle the new cards.

Visa International and MasterCard International in October started allowing their member banks, which actually issue the credit cards, to distribute cards that expire in 2000 and beyond. Both companies said they had spent five years and millions of dollars to ensure that merchants could handle the new cards.

Visa estimates that 99 percent of the 14 million locations worldwide that accept its card can handle 2000 expiration dates, said Scott Harrison, who is han-

dling date conversion issues for the company, based in Foster City, California.

"We've done everything you can imagine," Mr. Harrison said. "We've mobilized the forces of our members' banks; we've produced hundreds of thousands of test cards; we've required member banks to report on the compliance status of merchants."

Mr. Harrison said Visa has from 300,000 to 400,000 cards in circulation with 2000 expiration dates that are generating almost 3 million transactions a month.

But not every credit card company thinks merchants are fully ready. American Express Co. still is limiting cards to 1999 expiration dates and does not plan to release 2000 cards until later this year.

Although stores are trying to quickly fix their systems, retailers contend that the problem is becoming worse because

banks are issuing hundreds of thousands of the new cards each month. For merchants who cannot accept the cards, the problem typically is not with the gray, cigar box-sized terminals that are connected to cash registers. Rather, specialists say, it is found in the computer-like registers that have their own magnetic stripe readers. The register's software, which is supposed to send the card number and expiration date to a bank over a telephone line, will not process the transaction because it thinks the card has expired.

At some stores, employees have come up with ways to trick the register into handling the sale. Godiva Chocolatier Inc., whose 150 North American stores cannot handle the 2000 cards, instructs its salespeople to enter card numbers manually and then key in "12/99" for the expiration date, said Peter Clarke, the director of global retail merchan-

dising for the New York-based chain.

Godiva, like many merchants, is revamping its computer systems so they can understand the new dates. For retailers, it can be a massive undertaking that can cost millions of dollars and require hundreds of thousands of hours of programming work.

"It's a crisis similar to when gasoline went from 99 cents to a dollar a gallon," Mr. Clarke said. "At the time, most gas stations didn't have pumps that handled more than two digits."

The conversion issue already has led to one lawsuit. Produce Palace International of Warren, Michigan, filed suit in August against the cash-register maker TEC America Inc. and a local vendor, All American Cash Register Inc., contending that the inability of TEC America's machines to handle cards with expiration dates of 2000 was hurting business.

FRANCE: Danger of Social Explosion?

Continued from Page 1

They are supported by some, but not all, of France's unions.

They are also supported by France's Communist Party, which is operating in an informal governing alliance with the Socialist prime minister, Lionel Jospin. Robert Hue, the Communist leader, called the demand by the unemployed for a year-end bonus "legitimate," and said the government "should respond positively without delay."

The unemployment fund actually is managed jointly by the unions and the French association of businesses, so the decision is up to the government. But if Mr. Jospin is not successful in easing unemployment and poverty, it will work against him politically.

"Unemployment is the blind spot of governmental action," Laurent Joffrin wrote in the newspaper Liberation this past week.

"The Jospin team has negotiated without mishap all obstacles but one: the extreme exclusion that continues to grow at French society."

A national day of strikes and demonstrations in favor of the unemployed occupiers has been called for next week. Polls show more than 60 percent of the French favor their cause.

Angry demonstrators are a long French tradition. President Jacques Chirac won office in 1995 in part by promising to heal the "social fracture," as he referred to the alienation of many French citizens from their government and their country. But less than a year after he gained office, the country was rent by transport strikes that brought Paris to a halt. By spring 1997, the center-right president had been weakened by the election of a Socialist government.

Now it is Mr. Jospin's turn to deal with these outbursts of violence and protest. He has said little about the car-burnings and the unemployment-bonus demands, although officials at his Labor Ministry point out he has raised aid for the longest-term unemployed and plans to propose reforms for France's vast welfare system this spring.

In addition, his government has proposed new measures on youth crime and delinquency.

BRIEFLY

Hun Sen's Forces Advance on Foes

PHNOM PENH — Cambodian government forces unleashed a heavy attack Friday on opposition-held territory around the northwest border town of O'Smack and claimed to have pushed up to the border with Thailand.

"The government is only 100 meters from Thailand," General Meas Sophea said. "We haven't yet reached the border, though, because of the huge number of land mines."

A Thai military official said government troops were pressing into O'Smack from the east.

Government forces loyal to Hun Sen, a co-prime minister, have been trying to seize O'Smack since August, when opposition troops loyal to Prince Norodom Ranariddh, the ousted co-prime minister, retreated northwest across Cambodia to dig in at the abandoned town. (Reuters)

Mongolian Workers Get Weekend Off

ULAAN BAATAR, Mongolia — Mongolia's workers on Friday looked forward to their first regular weekend off since the Communist revolution of 1921.

The Asian nation, which tossed out the Communist Party in elections in 1996, adopted a five-day working week of 40 hours on Jan. 1. The working week was previously 46 hours, with six hours on Saturday.

The governing Democratic Union Coalition argued the change would bring Mongolia into line with international practice and improve industrial efficiency. (Reuters)

Prayer Order Riles Muslims in India

LUCKNOW, India — An order requiring schoolchildren in northern India to pray to paintings, sculptures and other embodiments of "Mother India" has angered Muslims, whose religion forbids the worship of images.

Ravindra Shukla, an education minister in Uttar Pradesh state, was quoted in The Indian Express on Friday as saying his recent order to pray to nationalist symbols was meant to "inculcate patriotism."

But the order enraged Muslims, and a panel that represents them was considering a court challenge. "We don't need a certificate for our patriotism from any political party or person," The Express quoted Zafaryab Jalani of the All India Muslim Personal Law Board as saying. (AP)

Philippines Rebels Free Police Officer

ROXAS, Philippines — Communist rebels freed a policeman Friday after 35 days of captivity, clearing away the final obstacle to the resumption of peace talks with the government next week.

The police officer, Marilliano Magagid, was handed over to a representative of the International Committee of the Red Cross on the outskirts of Roxas, a town on Mindoro Island, where he was seized Nov. 8. (AP)

FLU: Thousands of Chickens Still at Large

Continued from Page 1

poultry slaughter Sunday — 24 hours after saying such a dramatic step was unnecessary — and then pledged the job would be completed within a day. Five days after the extermination began, the government reported that it had killed about 1.3 million chickens and other suspect poultry, including geese, ducks and quail, but it also conceded that thousands of chickens remained alive. It said that Hong Kong was home to more chicken farms than previously known, allowing thousands of chickens to escape the slaughter.

In addition, some chickens were known to have picked their way out of the sealed plastic garbage bags that were to have been their tombs. The bags had been pumped with carbon dioxide to kill the birds, but in depots where the bags were piled high, chickens could be seen moving around inside.

Panicked Hong Kong residents reported seeing chickens strolling around the grounds of public housing projects. They also reported seeing chicken carcasses strewn around the grounds, often near where children play.

The government's agriculture and fisheries department, which is heading the slaughter campaign, said in a statement Friday it was "continuing with mopping up operations to check whether some live chickens had been missed out and whether there were carcasses uncollected."

The department set up a special chicken hotline for Hong Kongers to report any live chicken sightings in the territory.

Residents also reported that stray dogs, cats and rats were seen eating through the plastic garbage bags containing chicken carcasses, raising fears that animals might become new roving carriers of the disease. Health officials at Hong Kong University immediately began testing dogs, cats and rats to see if they had any traces of the "bird flu," officially known as H5N1, and some officials left open the possibility that the unprecedented slaughter could be extended to other animals if they were found capable of transmitting the virus.

The presence of huge piles of garbage bags in residential areas raised criticisms that the government had not made adequate plans to dispose of the chicken carcasses quickly after they had been killed.

"Things could have been done better perhaps," conceded Margaret Chan, the director of health.

Leslie Wei, the director of agriculture and fisheries, who made the vow that "no chickens will be allowed to walk free," has become the subject of much of the criticism, since her department took the lead role in the slaughter.

"I'm not making any excuses," she said Friday, "but during the operation, more farms emerged." She said her department was investigating how chicken farms could have been operating here without the government's knowledge.



Health workers in Hong Kong gathering dead chickens for burial Friday.

New Year, New Problems for Mir's Crew

The Associated Press

MOSCOW — The Mir's main computer broke down Friday, temporarily reducing the space station's power supply.

A computer breakdown, something that occurred seven times in 1997, does not threaten the lives of the two Russians and the American on the space station.

But the problem can make life uncomfortable on the Mir.

The failure of the main computer brought down the gyroscope system that orients the Mir's solar panels toward the sun, the Itar-Tass news agency said, citing officials at Mission Control outside Moscow.

Mir was not receiving its normal power supply, and the crew responded by shutting off all nonessential systems outside the Mir's core module, Russia's NTV reported.

The space station has six separate modules, though one was punctured in a space collision last June and has been sealed off.

The crew had found the problem by Friday night and was working to replace one of the main computer blocks, Itar-Tass said.

The Mir, the longest-lived space station in history, will mark its 12th year in space next month.

KENYA: Moi Is Poised to Win

Continued from Page 1

For their part, opposition leaders had hoped a runoff might force their supporters to do what they have been unable to do in the last five years: unite behind one challenger. But the returns suggested that the opposition had once again voted along tribal lines, leaving Mr. Moi's coalition the largest slice of votes. Though Mr. Kibaki was the runner-up nationally, the vast majority of his support came from the Central Province and Nairobi, where his Kikuyu tribe is the majority.

Similarly, the three other top candidates — Mr. Odling, Michael Kijani Wamalwa and Charity Ngilu — all ran well in their tribal homelands, but made few inroads in other parts of the country. The three had a combined total of about 1.3 million votes Friday morning, more than enough to defeat Mr. Moi had they thrown their support to Mr. Kibaki.

Their failure to find common ground means Mr. Moi is poised to win a fifth and final five-year term.

The Electoral Commission, accused by all sides of bungling the election, has acknowledged that there were logistical errors and mix-ups during the polling, which was extended an extra day to rectify mistakes. But the chairman of the commission, Samuel Kivuiti, denied that the problems were deliberately intended to favor one candidate over another. Nor have the irregularities affected the final returns, he said.

Mr. Odling and Mr. Kibaki asserted that agents for the governing party had infiltrated the electoral commission and purposely kept presidential ballots from being delivered to opposition strongholds.

They also maintain that election officers switched vote totals in districts where Mr. Kibaki had won and doctor results in Mr. Moi's Rift Valley strongholds to pad his margin of victory.

But Western diplomats who observed the elections said most of the problems appeared to be the result of incompetence and inefficiency rather than a concerted government effort to protect Mr. Moi.

Small Step
in Provincial Life

FRIENDSHIPS

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STYLE

Holiday, jazz, tennis
From the IHT Web

A Small Step for Moderates in Iran

Cleric in Provincial Isfahan Lifts Ban on Film Called Anti-Islamic

By Douglas Jehl
New York Times Service

ISFAHAN, Iran — Finally, the Quds Cinema in this provincial capital can boast "Snowman" in Isfahan — at the same time as in Tehran. "But as often is in Iran, what lies behind the marquee is a more complicated tale."

Because it depicts a man who dresses as a woman as a ruse to obtain a visa to the United States, the Iranian-made film was until recently banned across the country as anti-Islamic. After a new president who espouses cultural openness was elected in May, however, that decision was reversed.

But while "Snowman" opened in the Iranian capital in November, initial attempts to extend the experiment to this city, known for its exquisite blue-tiled mosques and entrenched revolutionary sentiments, ran into a backlash.

On the day the film was to open, bearded radicals attacked the theater to make sure that could not happen. They shredded posters and attacked moviegoers, including women and children, witnesses said. And by all accounts, local security forces did nothing to stop them, even when the radicals and their allies returned in following days to the street in front of the shut-down cinema to perform triumphant prayers.

Not until the city's leading cleric used a recent Friday sermon to exhortate his security forces for failing to do their

jobs did the balance of power shift, opening the screen to what the new government sees as an important test of conservatives' willingness to accept small steps toward moderation.

If the police and intelligence forces and the governor general's office are unable to deal with them," Ayatollah Sayedzaiedin Taheri, 70, had said of the radicals, "let them tell me, and I will put them in their place."

In the two decades since the Islamic revolution, attacks on cinemas, newspapers and bookstores accused of promoting cultural laxness have rarely been challenged by the Iranian authorities.

What is unusual about what happened in Isfahan, where "Snowman" opened at last on Dec. 14, is that a leading member of the country's ruling clerical establishment joined the new government in advocating the rule of law, even if it means turning against those who claim to be acting to protect Islamic morals.

"He's either mad or brave, one or the other," Hossain Payghambari, a carpet merchant, said of Ayatollah Taheri and his decision to confront the radicals, who call themselves the Hezbollahi, or followers of the Party of God. "The important thing is that the film is showing, and that's a big step."

Even though they hold power in Iran, leaders among the country's religious establishment have often condoned and even encouraged the radicals' extra-legal attacks, in much the same spirit with

which they urged Iranians to rise up against Shah Mohammed Reza Pahlavi, whose government was seen as having been hopelessly corrupted by the West.

But the new president, Mohammed Khatami, a relatively moderate cleric, has urged Iranians to overcome that spirit of "rising against the law."

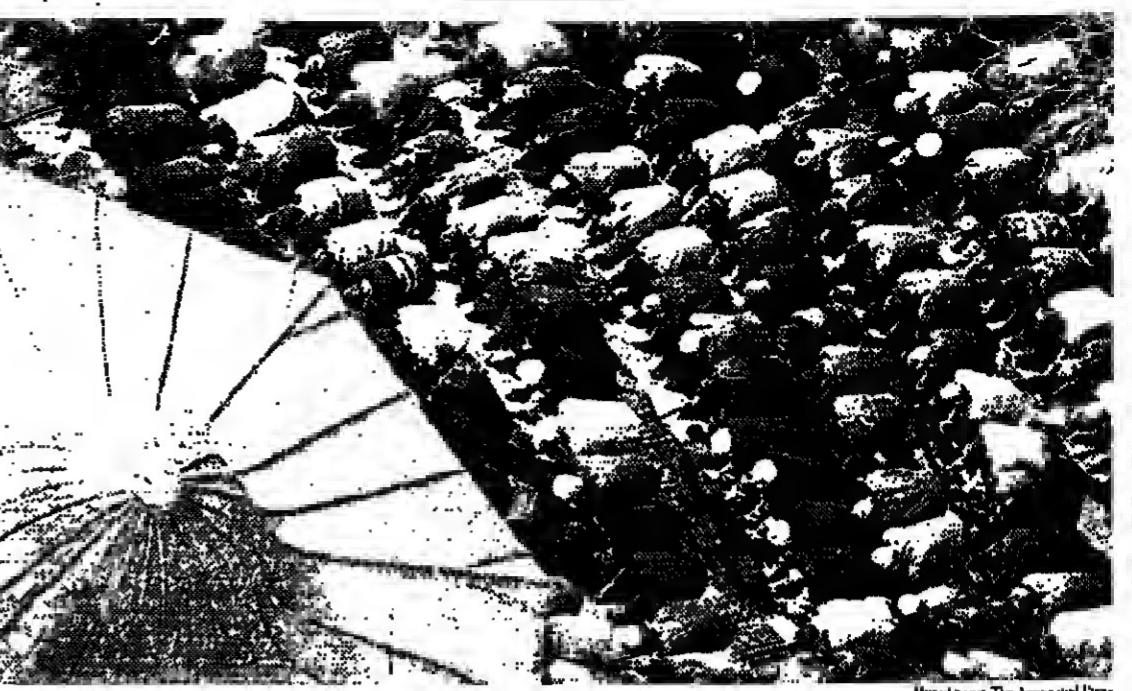
"Snowman," a black comedy, was financed by the Islamic Propagation Organization, which is closely affiliated with the state, and it is now showing in 22 cities around Iran. Its ending is politically correct: The man, who had relocated to Turkey in pursuit of a visa, falls in love with an Iranian woman and they return to their homeland. But it has continued to attract vocal opposition from conservative quarters.

Conservatism runs deep in Isfahan, an early hotbed of the Islamic revolution, and so the political atmosphere has been charged since Mr. Khatami swept to victory in the presidential election in May.

—Compiled by Our Staff From Dispatches

TEHRAN — The supreme leader of Iran denied Friday that Tehran was making any moves toward reconciliation with Washington, days before the country's president, Mohammed Khatami, is due to address the American people in a television interview.

"Western media say some factions, individuals,



WORSHIP IN ISTANBUL — Hundreds praying at Eyup Sultan Mosque on the first Friday of Ramadan.

groups or even the government have a tendency toward a reconciliation with the West and America," Ayatollah Ali Khamenei said in a prayer sermon broadcast on Tehran radio. "Of course, all this propaganda contradicts existing realities. None of it is true."

Ayatollah Khamenei's tone contrasted sharply with

Mr. Khatami's conciliatory position and illustrated the power struggle between hard-line and moderate factions in the ruling hierarchy.

His remarks came days before Mr. Khatami, who is a Shiite Muslim cleric but a relatively moderate politician, was due to give an interview to CNN that was expected to be broadcast next week. (Reuters, AP)

Top Ayatollah Sees No Reconciliation With the U.S.

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GO. 5.89 FOD. 2.25 SCGP. 5.20

UK (zone B) en £ - TVA 17.5% (tut. 5%)

GO. 0.5534 FOD. 0.3476

ALLEMAGNE (zone D) - DM - TVA 15%

ZONE I - G:

GO. 1.05

GO. 1.00 SCGP. 1.38

ZONE B - F:

GO. 1.02 SCGP. 1.43

ZONE F - F:

GO. 1.03 SCGP. 1.44

BELGIQUE en F - TVA 21%

GO. 2.19 FOD. 1.28 SCGP. 3.00

HOLLAND (zone E) NLG - TVA 17.5%

AU. 0.104 FOD. 0.023 SCGP. 1.66

LUXEMBOURG en LUF - TVA 15%

GO. 1.32

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EDITORIALS/OPINION

Herald Tribune
INTERNATIONAL

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

South Korean Hurdles

Two events this past week may help South Korea climb out of its financial hole. Large private banks in the United States, Europe and Japan tentatively agreed to let South Korean banks and business firms postpone repayment of overseas loans. These banks might even agree to extend new loans. If the agreement holds, it will ease South Korea's repayment burden, eliminating an immediate threat of default.

Separately, the National Assembly agreed to stiffen oversight of the banking sector in line with conditions imposed by the IMF in exchange for a \$57 billion bailout. The vote reassures foreign investors that internal politics will not scuttle the IMF-led bailout.

These events do not guarantee South Korea that it can avoid default or escape serious recession. But, finally, its prospects are improving.

The decision by the large banks to roll over short-term loans was hardly altruistic. They knew that if they collectively demanded repayment, South Korea would run out of dollars and default, imposing huge losses on them and, in the bargain, freezing South Korea out of international capital markets. By giving it the time to recover, they can expect to retrieve most, if not all, of their original investment.

Three hurdles remain in South Korea's way. Small overseas banks may refuse to join in the deal. The small banks are threatening to grab their money while, they hope, their larger peers are stuck propping up shaky Korean borrowers. If this happens, the agreement could unravel.

—THE NEW YORK TIMES.

Nigeria Needs a Change

The arrest of a dozen Nigerian military and civilian officials on coup plotting charges advertises and deepens the instability in Africa's most powerful state. Nigeria is too large, various and volatile a country to submit quietly to the military rule that Sani Abacha installed four years ago. The evidence is that his leadership is widely questioned at different levels of society. His promised "transition" to civilian democracy in elections planned for next October is being widely seen as a cover for his retention of power.

Nigeria has been ruled by soldiers for all but 10 years since it gained independence in 1960. The military fairly claims a role in preserving the integrity of the nation, and it has conducted a responsible regional policy. But as an institution it is simply incompetent to steer toward modernization in Nigeria's complex circumstances. A conference of experts collected by the U.S. Institute of Peace suggests that it is becoming a "failed state." It is getting poorer and more fragmented. Its mismanagement and indulgence of corruption are a legend.

This is the context of a shocking report in November that a Lebanese

—THE WASHINGTON POST.

So Stay Buckled Up

The violent jolt came without warning as United Flight 826 was climbing from 31,000 feet (9,500 meters) above the Pacific Ocean to avoid some thought-to-be-light turbulence. As shown in a chilling videotape taken by a passenger in the cabin, what is believed to have been severe turbulence slammed the jumbo jet into a violent plunge. For hellish seconds, the impact tossed up flight attendants and passengers who were not wearing their seat belts, killing one woman and injuring 102 others. The veteran captain, who was later praised by airline officials for saving the aircraft, is said in had told superiors it was the worst experience of his career.

It is also one of the worst nightmares for all pilots—and more common than one might expect. Turbulence can be all but impossible to detect or predict. Federal officials note that it results in nonfatal injuries in more airline passengers and crew members every year than any other event involved in flying. Yet the statistics do point up a most important, lifesaving step that passengers should take: staying buckled up at all times when seated and obeying all signs and suggestions from the pilot in stay seated and buckled.

Almost all injuries are to people not wearing belts. The Federal Aviation Administration says it receives an average of 58 reports of turbulence-related passenger injuries a year from the airlines, which, for reasons that est-

—THE WASHINGTON POST.

Fasten Seat Belts for Another Roller-Coaster Year

WASHINGTON — Keep one eye fixed on the rearview mirror and the year that was, while you gaze into the crystal ball for 1998. Fasten your seat belt as another year on the roller coaster of change in world affairs begins.

Meanwhile, the large overseas banks are pressuring the Seoul government to take responsibility for repaying the foreign loans to its private sector. This is a bad idea that would bury Seoul in debt that could take decades to repay. The large banks have enough incentive to roll over their loans without government guarantees.

Besides, Korean acquiescence would send a destructive signal to foreign investors that internal politics will not scuttle the IMF-led bailout.

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—THE NEW YORK TIMES.

Look for an overhaul of Japan's

political and economic decision-making machinery that will help resolve Asia's financial troubles.

As long as we are bopping, let us bop big. Especially since the sure things have so much potential for disaster.

January could turn out to be the cruellest month for President Clinton. He will want to focus his State of the Union speech on accomplishments, particularly the enlargement of NATO that he has masterminded. It gives the White House a chance to push on an open door, since there is no serious opposition in Congress to amending the NATO treaty to bring in the Czech Republic, Hungary and Poland.

But Saddam Hussein has other ideas. With the distractions of the holidays out of the way, it will become clearer that the Iraqi dictator has succeeded for more than three months in completely thwarting United Nations inspectors looking for chemical and biological weapons, while international concern has intensified about the harshness of economic sanctions on Iraq's civilians.

Time is now working on Saddam Hussein's side. If Mr. Clinton accepts

for much longer the New Year's status quo — UN inspectors back in Iraq but ineffective, international support weakening for existing sanctions, and opposition to U.S. military action steadily growing abroad — it will be he who is in a box, not Saddam Hussein.

Congress will return to town in January to push Mr. Clinton on another subject that he preferred to duck as 1997 ended: Iran. Jesse Helms and other conservative Republicans will be demanding that the administration impose economic sanctions on France, Russia and Malaysia for investing in Iran, even as Mr. Clinton is looking for international help on Iraq. Asia's currency collapses and other U.S. interests.

This is a formula for an international train wreck. Sanctions against France and Russia in this case would ignite a nasty running quarrel between Washington and the European Union over trade, at the moment when the world

will be holding its breath over the South Korean bailout and over an increasingly visible conflict in Indonesia over who will succeed President Suharto.

The year does not have to go in that direction, which would lead to global market panics and spiking oil prices. For the first time since the 1979 revolution,

there are signs of a significant power struggle within the Iranian leadership and prospects for a lowering of tension between Washington and Tehran. The beginning of 1998 is a moment for exploring dialogue with Iran rather than promoting confrontation.

The turmoil in Asia's stock markets, and currency values, swings the spotlight from China, the biggest international story of 1997, to Japan, which will dramatically affect global stability by the financial and political choices it does or does not make this year.

America's trade deficit with Asia will soar in 1998 and is likely to reach \$250 billion globally by the end of the year. Japan must move to ward off the protectionist pressures that this deficit will create in Washington.

Continuing the bureaucratic and political immobilism that has prevailed since the end of the Cold War is not an option for a Japan that is also exposed to serious damage to its banking system from South Korea's problems.

Big storms are visible on the horizon for 1998, but with luck and skill they can be avoided or outrun. All in all, this will be a year to walk quickly and carry a big umbrella.

The Washington Post

New Year's Resolution: Rethink the Deregulation Fad

By William Pfaff

PARIS — As 1998 begins, one may hope that we have learned something from 1997's Asian economic crisis. The systematic deregulation of the global economy — an aim still energetically pursued by the major international economic institutions, as well as by the U.S. government — is explosively dangerous.

What has happened in Asia demonstrates that this program produces, a globalization of crises, as well as of trade. Only one major Asian economy has thus far escaped the storm, China's. Its Hong Kong exposure (support for a Hong Kong dollar linked to the U.S. dollar) may yet sweep it into the maelstrom, but its ability until now to withstand the forces that have produced so much damage elsewhere is the result of the fact that China is not a globlized economy.

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er-Coaster Year

ART

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Caution: Navigation Is Dangerous at the Auction Houses

International Herald Tribune

NEW YORK — The art market has reached a dangerous pass. As auction houses celebrate their fees in financial reports (Christie's, due shortly) or elegant art books ("Sotheby's Art at Auction 1996-1997"), the past season's greatest extravaganzas symbolizes the explosive situation.

"The Dream," painted by Picasso on Jan. 24, 1932, a one-day picture in which the artist returned to the Fauve days of his youth in a spoopy flashback, came up at Christie's on Nov. 10. It was part of the Victor and Sally Ganz collection, of which no one, barring two dozen Picasso specialists or so, had heard until Christie's marketers drummed it up into an art trove of stellar importance. "The Dream" sold for a dream price, \$48.4 million, as did the whole collection for an aggregate \$206 million.

For the outsiders, that was that. Nothing transpired of the tension that some, close to the action, say rose within the company as D-Day got closer. To wrest the sale away from Sotheby's, Christie's must have put up a huge "guarantee" ensuring the consignors of a fixed cash amount no matter what, probably far in excess of the aggregate \$120 million forecast. Christie's would have had a problem, had it not won this poker game hands down.

How many more can the two rival auction houses hope to get away with? No one knows, not even the financiers. For the moment they are content to parade the huge prices without dwelling on the failures.

Unfortunately, triumphs and failures

alike spell trouble for the future as do all signs of imbalance in any market. At first glance, Christie's scores seem sensational. On July 6, in London, a pair of George III giltwood armchairs soared to £1.7 million (\$2.8 million). Designed by Robert Adam and made by Robert Chippendale for the Dundas family, they must have given bidders the feeling that they were contending for a chunk of British history at 10 times the price that an ordinarily expensive pair might command.

In November, there was the Victorian piano sold by Christie's, in London again, for £716,500. No ordinary piano, you understand. It was designed by Lawrence Alma-Tadema, the Victorian

SOUREN MELIKIAN

artist whose work is not always clearly distinguishable from kitsch. The buyer was not ordinary either. It was the Sterling & Francine Clark Institute in Williamstown, Massachusetts, whose director, Michael Conforti, explained over dinner that the piano fitted well into their collection of 19th-century musical instruments.

Other buyers in other fields no doubt had similar reasons, which the "last chance" syndrome, typical of a market where supplies shrink, plays a part. That syndrome may have prompted whoever got the late 14th-century Ming decanter painted with a copper-red pattern to pay the equivalent of \$2.86 million at Christie's Hong Kong on Nov. 5, a record for Chinese underglaze painted porcelain. That same day at Sotheby's, a Ming blue-and-white brush washer of the early 15th century decorated with a

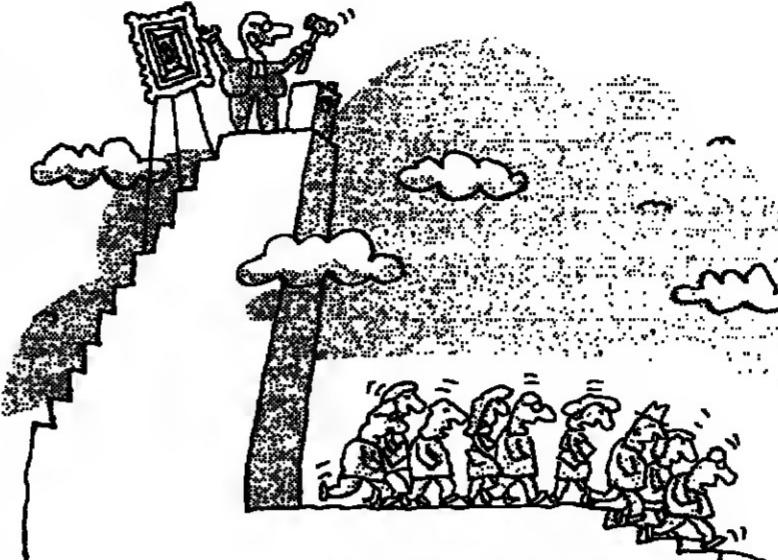
dragon inside and a second dragon on the underside (the only such instance on record) fetched \$2.1 million, which is proportionately just as staggering.

Yet, according to a reliable trade source, this did not allow the Japanese collector who consigned it to get his money back. The collector apparently has a marvelous eye not matched by financial prudence. The same source reports that he also consigned a late 10th-century Chinese vase carved with a bold peony pattern under an ivory glaze.

It is, or rather was, a museum piece until the Boston Museum of Fine Arts sold it in 1978 to the London dealer, Giuseppe Ekenazi. One of a pair, this one suffers from a slight restoration to the lip. Within weeks, Ekenazi sold the vase to the British Rail Pension Fund, presumably for less than the asking price of £120,000. In 1989, at Sotheby's, London, it fetched £825,000 (more than \$1 million), but last November, no one responded as the bidding started well below, at the equivalent of \$776,000. The same collector had no better luck with an admirable marble stela of the third quarter of the sixth century. There is a limit to everything, however admirable.

That day, the sale at Christie's and Sotheby's gave the impression of a Russian roulette game. Some unique objects made it to extravagant prices; others did not. A polychrome vase of the Qianlong period (1736-1795), of a type only seen in the Palace Collection at Beijing, sold at Sotheby's for \$1.28 million, in between two failures that hit rare porcelain pieces.

The yo-yo game, one up, one down,



Nicole Aroni/BHT

affected every field in 1997. Those that used to be shielded from excesses because they were dominated by collectors, such as medieval works of art, are no longer immune. The rarefaction of art resulting from the massive entry of newcomers attracted by glitz, greed or simply the fun has sent prices soaring to such levels that only a very few genuine collectors who happen also to be wealthy can keep it, surrounded by others who are players, not connoisseurs. Prone to lose interest when difficulties arise, they use art as chips in a game that has made the market perilously unpredictable.

Even true collectors become contaminated. The failure of a sensational collection of 12th- and 13th-century champlevé enamels owned by an eminent connoisseur, Edmund de Unger of London, was the year's most surprising occurrence. Offered in New York at Sotheby's on Nov. 20 under the designation "The Keir Collection," all its supermuseum stars fell unsold, killed by estimates that were triple the highest conceivable price. Although no one knows more about the art or the market than De Unger himself — or the Sotheby's department involved — one can see what led them to miscalculate.

The year before, a champlevé enamel reliquary had sold for an extravagant \$6.3 million at Sotheby's after being magnified into a national heirloom woven into the web of British medieval history on flimsy circumstantial evidence. Extravagant prices had been paid for objects in other fields. In November 1996, a French royal silver tureen and stand made in 1733-34 by Thomas Germain had climbed at Sotheby's to a mind-boggling \$10.2 million, a world record for silver.

The extravaganzas continued this year. At Sotheby's, in London, only four days after the new York debacle, a bowl of the third or second century B.C. described as "Roman," but more likely to be Iranian or Syrian, set a record for glass from the ancient world at \$2.1 million.

The champlevé enamel failure highlights the dilemma confronting auction houses. If they give in to their consignor's dreams and base their estimates on the most extravagant prices recorded, they are more likely to fail than to succeed. If they resist, they risk losing the sale. As the upward pressure grows, the whole market gradually prices itself out. The higher prices go, the more difficult it becomes to guarantee that a buyer can be found. The auction market has turned into a lottery where winners can only grow scarcer. For auction houses, the time when their profitability, already low, might dip below acceptable levels may not be far away, and for art buyers, the prospect is to pay ever more for a relentlessly decreasing level of quality. Many traditional art lovers are bowing out of the collection scene altogether.

Women Color Foreground of British Art Scene

By Alan Riding
New York Times Service

LONDON — The remarkable thing about the Turner Prize, Britain's best-known visual arts award, was not that all four finalists were women. It was that the selection of an all-female short list caused little surprise. Only a few years ago, women who are artists were noteworthy for their absence here. Today, their prominent place in Britain's lively contemporary art scene is taken for granted.

"Things have changed radically," said Gillian Wearing, 34, the video and photography artist who won the \$33,700 Turner Prize last month. "The other day, I was looking at the art column of a 1985 magazine, and all the shows were of men. Just one woman, Gillian Ayres, was reviewed. In my time, things have been balanced. I have never had to worry about my gender."

Indeed, if it always seemed unfair to talk about "women artists" while men were known simply as artists, today the distinction has become largely irrelevant. Feminist artists of the 1970s and '80s, notably in the United States, may be admired as heroines of a past struggle, but they are no longer role models in Britain. Here, artists formerly known as women, so to speak, are now numerous and successful.

Apart from Wearing and the other 1997 Turner finalists, Cornelia Parker, Christine Borland and Angela Bulloch,

Britain now has 15 to 20 women who have begun to make names for themselves as artists. They are represented by reputable galleries, they exhibit regularly in Britain and abroad, their shows are reviewed in newspapers and their work is being acquired by museums and collectors.

In 1993, the sculptor Rachel Whiteread, who is now 34, became the first woman to win the Turner Prize, and several other women have been included

Because of a generational revolution, they have emerged as creators.

in Turner short lists in the '90s. Further, women accounted for 10 of the 41 artists represented in "Sensation," a group show of young British artists' works from the Saatchi collection that has just closed at the Royal Academy in London.

Yet because the female artists of the new generation are mainly in their late 20s and 30s, they are only distantly aware of how difficult things were as recently as the 1980s for older, established artists like Ayres, Bridget Riley and Helen Chadwick, who died in 1996.

The younger women consider it nor-

mal to enjoy freedom, equality and a degree of economic security.

"It's only extraordinary how quickly this has happened," said Cathy de Monchaux, 37, a conceptual artist who is mentioned as a possible Turner Prize contender next year. "Ten years ago, there were so few women. All of a sudden, there are too many to mention, and it's no longer considered extraordinary."

In a sense, of course, the rise of young women as artists merely reflects the growing opportunities for women throughout British society. Yet in the visual arts, even more than in other areas of culture, something special has occurred. British women have long been visible in movies, theater and music as performers, but not as directors, playwrights or composers. In the visual arts, they have now emerged as creators.

This has become possible because contemporary art as a whole in Britain has been transformed by a generational revolution. An exhibition called "Freeze" in Lodon in 1988 is now regarded as the moment the first shots were fired. Organized by Damien Hirst and displaying works by students from Goldsmiths' College in London, the show signaled the determination of young artists to win recognition without waiting for approval by the art establishment.

Several women were in the show, but ambition, innovation and a certain social rage were more relevant than gender. "Everyone felt it was suddenly possible to take control," said de Monchaux, who was doing graduate work at Goldsmiths' at the time. "Instead of saying, 'I'll be an artist when I grow up,' they were saying, 'I'll be an artist right now!'

That the movement began at Goldsmiths' was no coincidence. While British art colleges have long enjoyed a reputation for excellence, in the 1980s Goldsmiths' created a single course for students, eliminating the barriers among painting, sculpture, printmaking and the like. Its teachers also encouraged students to express themselves in new ways. Further, with a higher proportion of working-class students than other London colleges, it fostered irreverence toward tradition.

"I went to a really good art school, which wasn't about gender but about the possibilities of art," said Wearing, who graduated from Goldsmiths' in 1990.

The main obstacle to women as artists, then, was out access — there have long been as many women as men in British art colleges — but the prevailing aesthetics.

"I went to a quite macho art school in the 1970s, and while everyone was making hulking big sculptures, I was making things out of bits of paper," said Parker, 41, the oldest of the recent Turner Prize finalists. "At my degree show, someone said, 'It's nice, but it's very feminine.' I said, 'Thank you,' taking it as a compliment, but they obviously meant it as an insult."



Whiteread with one of her sculptures made from a plaster cast of a room.

At the time, British painting was dominated by men, especially by an all-male group called the London School, named by R.B. Kitaj, and headed symbolically by Francis Bacon and Lucian Freud. But with Goldsmiths' challenging the dominant role of painting and sculpture and dissolving the traditional barriers among disciplines, women found themselves working in a new arena where rules were not written in concrete.

"The development of means of expression that are very much concerned with personal experience provides a platform where women can say something markedly different," said Nicholas Serota, director of the Tate Gallery. "I think they're more willing to expose themselves and their own vulnerabilities than men."

SOUTHERN-SPEAK By Nancy Joline and Peg Conner

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15 Indian dwelling
20 Like Miss Congeniality
21 Christie and others
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NYSE

Friday's 4 P.M. Close

The 2,600 most traded stocks of the day.
Notified prices not reflecting late trades elsewhere.
The Associated Press

12 Month
High Low Stock Div Yld PE 100% High Low/Last Chg

Symbol	Name	Div	Yld	PE	100% High	Low	Last	Chg
AAR	AAR Corp	0.24	24	22	30.50	29	29.50	+0.50
ABM	ABM Industries Inc	0.12	12	12	21.50	21.25	21.75	+0.25
ACI CM	ACI Communications Inc	0.18	18	17	17.50	17.25	17.75	+0.25
ACM GP	ACM Global Partners Inc	0.07	7	7	16.50	16.25	16.75	+0.25
ADM	ADM Corp	0.15	15	15	16.50	16.25	16.75	+0.25
ADM L	ADM Llc	0.15	15	15	17.50	17.25	17.75	+0.25
ADMN	ADM NutriScience Llc	0.15	15	15	17.50	17.25	17.75	+0.25
ADP	ADP Inc	0.14	14	14	22.50	22.25	22.75	+0.25
AEAT	AEAT Corp	0.05	5	5	17.50	17.25	17.75	+0.25
AEAT S	AEAT Systems Inc	0.05	5	5	17.50	17.25	17.75	+0.25
AGL N	AGL Networks Inc	0.14	14	14	17.50	17.25	17.75	+0.25
AGS S	AGS Solutions Inc	0.05	5	5	17.50	17.25	17.75	+0.25
AMBI	AMBI Corp	0.05	5	5	17.50	17.25	17.75	+0.25
AMLI	AMLI Inc	0.15	15	15	17.50	17.25	17.75	+0.25
AMR	AMR Corp	0.15	15	15	22.50	22.25	22.75	+0.25
AMZN	AMZN.com Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANCRD	ANCRD Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANET	ANET Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH	ANH Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANH L	ANH Llc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH N	ANH Networks Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH S	ANH Solutions Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH T	ANH Technologies Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH W	ANH Worldwide Inc	0.05	5	5	17.50	17.25	17.75	+0.25
ANH X	ANH X Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANH Z	ANH Z Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANH ZL	ANH Zl Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANH ZW	ANH Zw Corp	0.05	5	5	17.50	17.25	17.75	+0.25
ANH ZY	ANH Zy Corp	0.05	5	5	17.50	17.25	17.75	+0.25
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An Obsessive Cost-Cutter Takes Charge at Chrysler

New President Seeks
A Total Rethinking

By Robyn Meredith
New York Times Service

DETROIT — The previous president of Chrysler Corp., Robert Lutz, is a former Marine who flies fighter jets for fun and sometimes uses his pocket knife to stir cream into his coffee, licking the blade afterward. Stepping into his shoes is Thomas Stalkamp, who became the company's president Friday.

Mr. Stalkamp, 51, is more like the rest of us. Like many parents, he spent the days before Christmas looking forward to his sons' returning for the holiday break, driving their Jeep Cherokee home from college.

While he owns a red Dodge Viper sports car, he often tools around town in a Chrysler minivan.

And he is no golden boy, no company hotshot that everybody figured was a shoe-in for the job that makes him the heir apparent to Robert Eaton, the Chrysler chairman and chief executive. Indeed, he was one of several contenders for president, and his promotion last month caught some people by surprise.

But while Mr. Stalkamp is less flamboyant than Mr. Lutz, who was named corporate vice chairman a year ago after he turned 65, his plans for the company are ambitious: He wants to streamline the entire process of building and selling cars and trucks.

Mr. Stalkamp said, "We really are looking at changing the way we produce vehicles from beginning to end here—not just in manufacturing but in the whole development of them and the selling and marketing of them."

His main focus will continue to be the obsession that has driven him for the last decade or so at Chrysler, most recently in his capacity as executive vice president for procurement and supply — to cut costs deeply and then cut them some more. By the company's own estimate, Mr. Stalkamp drove down costs by about \$1.5 billion in 1997 alone. For Chrysler, cost-cutting does not normally mean dismiss-



Thomas Stalkamp, Chrysler's new president, who slashed company costs by about \$1.5 billion in 1997.

ing workers, but streamlining its processes. For him, that was good but not good enough. He believes that bureaucratic waste and ineptitude account for one-third of all spending at Chrysler — as at most American corporations — and he says he is determined to eliminate "the tremendous inefficiencies that have built up over four or five decades to this business."

To do that, he plans to borrow the techniques of other companies with reputations as cost-cutters, wherever he finds them — and he finds them exclusively outside the auto industry.

For ways to rein in spending in marketing, he is studying the mass merchandisers Lands' End and Wal-Mart Stores Inc., he says; in buying supplies, the chip maker Intel Corp. and the electronics giant Hewlett-Packard Co., and in manufacturing, the entire computer industry.

"I would not emulate any automobile maker," Mr. Stalkamp said. "There is more invention going on outside of Detroit than there is in Detroit, and that's what we want to tap into."

Wall Street took Mr. Stalkamp's elevation to signal the company would redouble its efforts to trim expenses.

"They face a major challenge because GM's big push for 1998 is cost-cutting, and so is Ford's," said David Bradley, an auto analyst at J.P. Morgan Securities Inc. "Everyone is cutting costs at a pretty rapid pace."

Mr. Stalkamp makes his goals for streamlining Chrysler sound simple.

It is a matter of "looking at how you do things now and how screwed up they are and fixing it," he explained. "You challenge your people to not be traditional and find 'out-of-the-box thinking' to solve problems."

For instance, in 1989 Mr. Stalkamp carried out a program to require suppliers to design and engineer the parts they make while simultaneously lowering prices. Paradoxically, the initiative ended up making Chrysler more popular than any other auto maker with suppliers by forcing them to streamline their businesses and become more profitable.

"The supplier industry is very pleased with Mr. Stalkamp's elevation to the presidency," said Siegfried Buschmann, chairman and chief executive of the Budd Co., which builds frames for Chrysler's Jeep Wranglers and doors for its minivans, and provides a number of other metal and plastic components. "Suppliers are part of the family at Chrysler."

Ever since it pulled back so spec-

See CHRYSLER, Page 13

ECONOMIC SCENE

When Is a Bit of Regulation the Green Thing to Do?

By Peter Passell
New York Times Service

NEW YORK — What a difference a quarter-century can make. In 1972, a mostly European group of business leaders who called themselves the Club of Rome forecast that Spaceship Earth was about to run out of fuel and other essential commodities.

A "rapid, radical redressing of the present unbalanced and dangerously deteriorating world situation" is the primary task facing humanity," the group concluded.

The group's report, "The Limits to Growth," sold 9 million copies and transformed the fuzzy concept of sustainability into the holy writ of the environmental movement. Since then, however, global economic output has roughly tripled without any indication that the end is nigh. Indeed, world markets are currently glutted with commodities, and the prices of most natural resources have fallen in real terms.

The easy lesson here is that forecasts are no better than the underlying assumptions. But the Club of Rome did touch a nerve. Markets alone, most specialists concede, may be insufficient to protect the planet from unacceptable environmental damage. The catch, as the divisions over global warming suggest, is that it is hard to know how or when to act on the insight.

First the easy part. "The Limits to Growth" looks foolish largely because the computer specialists who simulated resource use failed to incorporate market forces in their model. In market

economics, scarcity leads to higher prices, which in turn sets off a variety of compensating responses.

If copper prices rise, consumers make do with fewer copper products. More important, producers search for ways to do the same job with cheaper materials — replacing copper with aluminum in wiring, or shifting to solid-state electronics that use little expensive metal.

The denouement of the 1973-74 oil shock, which at the time lent credibility to the Club of Rome's jeremiad, proves the point. After oil prices quadrupled in the mid-1970s, the world shifted to cheaper fuels and developed energy-saving technology for vehicles that could run only on petroleum.

Today, the industrial West burns less oil to produce twice as much as it did in 1972, and thanks to financial incentives, accessible reserves are larger.

"You can't underestimate the value of price signals when it comes to renewable resources," said Robert Stavins, an economist at the Kennedy School of Government at Harvard.

What happens, though, with resources that are not private property and not directly subject to the hidden hand of the market? Ocean fisheries, for example, typically belong to nobody — and therefore nobody. It does not pay any individual to conserve breeding stocks because others will be happy to reap the profit today.

That is why most of the world's great fisheries have been decimated over the last few decades. It is also why consumers have turned to aquaculture — an expensive technological fix — to satisfy their appetite for everything from sal-

mon to oysters. But with a little help from regulation, public fisheries could mimic the incentives of private markets. Setting a maximum allowable level for the total catch, then auctioning or giving away rights could serve — and in a few cases, has served — as a substitute for the market. Clamping off the mid-Atlantic coast, for example, is now effectively limited with quotas on individual catches.

By the same token, economists have fought to conserve environmental resources by effectively privatizing access. Tradable permits for sulfur emissions from power plants, mandated by Congress in 1990, promise to limit total emissions at minimum total cost to electric utilities. If the Clinton administration has its way, a similar system of market-based permits will someday be used to limit global emissions of greenhouse gases.

All this adds up to a potent counterargument to the pessimism of the Club of Rome: Technology, guided by the hidden hand of the market, has made it possible for a huge population to live better than the ecological doomsayers of 1972 would ever have guessed. And, most apparently, scarce environmental resources — air, water, natural habitat — can be stretched a lot further by applying a little economic sense to the problem.

To give the pessimist the benefit of the doubt, though, it is still conceivable that economic activity will overshoot and produce irreversible damage. Catch too many fish, and it takes years to rebuild the fishery. Catch way too many fish, and the species never comes back. There is plenty of precedent. "The passenger pigeon is extinct," Mr. Stavins

said of the Kennedy School oot.

Likewise, it is conceivable that allowing greenhouse gases to reach some threshold concentration will cause irreversible reactions, leading to a rapid warming that will make everyone sorry they did not heed the warnings.

of the Kennedy School oot.

Yet some smaller banks have been unwilling to extend their loans.

The South Korean government already has paid off \$1.5 billion of Korea First Bank's bad loans and \$1.2 billion of SeoulBank's unrecovered debt, slightly more than half in each case. Finance Ministry officials have said they plan to fully repay the two banks' outstanding debt before selling them.

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مكتبة من المكتبات

EUROPE

Vineyard in Georgia Gives U.S. Investors a HangoverBy Edmund L. Andrews
New York Times Service

TBILISI, Georgia — Back in 1993, it looked like a perfect opportunity: a marriage between Napa Valley vintners and an ancient wine-making industry that had recently been liberated from Communism and the former Soviet Union.

The group of eager investors included Eric Wente, a top executive of the Wente Brothers winery in Livermore, California, and George Shultz, the former secretary of state. The group invested about \$1.5 million into a privatized winery being called Sameba. Mr. Shultz, who was strictly a passive investor, even clinked glasses here in a celebratory toast with Edward Shevardnadze, the former Soviet foreign minister who is now president of Georgia.

The appeal was obvious. Thanks to a warm climate and rich soil, this former Soviet republic has been producing wines for nearly 5,000 years. The hillside villages and vineyards look as though they would fit in Italy's lush Tuscany region. Georgian wines enjoy a special cachet across Russia and much of Central Europe. While not in a league with the fine vintages of France or California, they can be competitive internationally in a moderate price range, the investors believed.

But today the joint venture bears witness to the difficulties of transforming a former Communist hinterland into an American-style business opportunity. A string of American managers here have variously quit or been fired; the last one left after the Georgian partners threatened to literally throw him out of their offices.

Discouraged and disillusioned, the American investors do not expect to see any return on their money.

"They don't answer our telephone calls or our faxes anymore," Mr. Wente said. "It became increasingly obvious to us that their agenda was out to build a company but to pursue a lifestyle."

The experience is hardly unusual. Six years after the Soviet Union collapsed, Russia and former republics like Georgia have rushed to embrace capitalism and Western investors. But as often as not, companies here have balked at conventional Western business practices and slipped back toward the habits of cronyism and self-dealing that pervaded the old system.

Western investors know this, at least in principle. But the allure of a historic turnaround opportunity can be irresistible, and

there have been few sweeter turnaround possibilities in the former Soviet Union than Georgia's wine industry. From Warsaw to Moscow and even among some Western aficionados, the wines here are beloved for their warmth, variety and character. Indeed, bottlers from places like Moldova and parts of Russia routinely try to pass off their wines as "Georgian."

Vintners here have their own distinctive approach to fermenting: the grapes along with their skins and some of the stems are fermented together in giant clay casks and later separated out.

After the collapse of the Soviet Union, Georgia's wine industry seemed to have nowhere to go but up. Government mismanagement had left most wineries with antiquated bottling and pressing plants. The industry's traditional market in Russia and Central Europe had been devastated by economic depression. Georgia was itself bogged down in several civil wars. To people like Mr. Wente, new equipment and modern marketing could go a long way.

To be sure, some Westerners have thrived here. The Dutch wine bottler Royal Coymans has teamed up with entrepreneurs in

Tbilisi, a town northeast of Tbilisi, in a successful joint venture with local entrepreneurs called Georgia Wine and Spirits. The Dutch company has overhauled most of the wine-making process, imported all the supplies for bottling and increased marketing efforts. Sales have doubled from 1.5 million bottles in 1996, at a wholesale price of roughly \$3 a bottle, to 3.2 million bottles in 1997.

But for the Americans who bought into Sameba, things have not gone so well. The company remains in full production, based in a vine-covered villa here in the Georgian capital. But the Americans say they ran into conflicts with their Georgian partners from the first moment, and those problems were only made worse by Georgia's struggles with civil war and economic turmoil. It did not help that a founder of the company killed himself after having seen his two sons killed — one in a gangland vendetta.

The Georgians insist they still relish their partnership with the Americans, but they simply cannot get "competent" American managers.

"It was one thing to go into a joint venture and put money in, but something quite different to work here and come to these burdens here every day," Zurab Tkemaladze, Sameba's general director, said.

RUBLE: Russians Wary of Reform

Continued from Page 1

monetary instrument in Russia, were introduced by the United States, the shift was relatively painless.

But that does not mean this one will be. Long lines at banks and currency exchanges have again become common, and in the last two weeks, banking officials say, Russians converted twice as many rubles to dollars as they did in the previous two.

Most consumers will hold onto those dollars until sometime next week, just as their worst fears are once again confirmed. That means many people will have paid a commission to take their money out of the bank and a commission to exchange it, and beginning Jan. 1 there is new 2 percent tax on money converted from dollars to rubles.

The safe bet on the almighty dollar will cost most people about 7 percent of the money they are trying to hold.

"We understand that to battle fears that have built up in Russian people who have lived through 75 years of very unpleasant currency reforms is hard," said Irina Yasina, the chief spokeswoman for the Russian Central Bank, which has mounted an exceptionally detailed and public relations campaign in an attempt to convince people that this time there is nothing to fear from change.

"We continually assure people that nothing bad will happen," she continued.

"But we know that only our actions on Jan. 1, 2, and 3 beyond can prove that there are no hidden tricks or traps."

At the urging of economic advisers, who said that currency reform would increase the confidence of investors while making most Russians feel better about their

money, Mr. Yeltsin announced the change last summer at a time when the economy looked as if it was finally about to emerge from years of deep depression.

With the annual inflation rate having fallen from more than 1,000 percent in 1992 to under 14 percent Thursday, the new currency was to have been the signature symbol of better times.

But the second half of 1997 brought a new round of bad economic news for Russia. Tax revenues became so anemic that the International Monetary Fund decided, for a while, to suspend loan payments. The crisis in Asian economies markets hurt Russia badly because many skittish investors reacted by pulling out of all emerging markets.

Predictions of economic catastrophe, common here from all sides of the political spectrum, began to take on the ring of truth.

"Nobody could have guessed it last summer, but psychologically, you'd have to say this has become a difficult time for making such visible changes to the currency," said Peter Derby, president of Dialogue Bank in Moscow. "And as much as anything else, this is a psychological maneuver."

As with most economic issues in Russia today, public opinion polls suggest that young people are far more open to the changes than their parents. More than three-quarters of people under 40 interviewed in one recent poll suggested that the change would mean nothing to them.

For those over 60, who trust the government less than anyone else and have been hurt most by the harsh pace of reform, the percentages were nearly reversed.

The good news is that 3.6 rubles seems to most shoppers like a better price for a loaf of bread than \$6.00. People are likely to have more re-



SHOPPING SEASON — An employee placing a sign for sales Friday in Paris as the post-holiday discounting began.

spect for the currency as a result. The bad news, already evident on the street, where official prices must be posted in old and new rubles, is that price rises are almost certainly going to be one result of the change.

"If I am charging 96,000 rubles for an item, I may decide to charge 100 rubles in the new system," said the proprietor of a new computer store in Moscow. "I don't think most people would notice the difference."

Markets Closed

Several stock markets in Asia and Europe were closed

Friday for the New Year's

holiday.

Bombay

Sunday Index: 3771.85

Previous: 3774.42

Sale: 3771.85

Buy: 3774.42

Highest Petre: 3774.25

Lowest Petre: 3770.75

Trade: 3772.50

Resistance: 3775.25

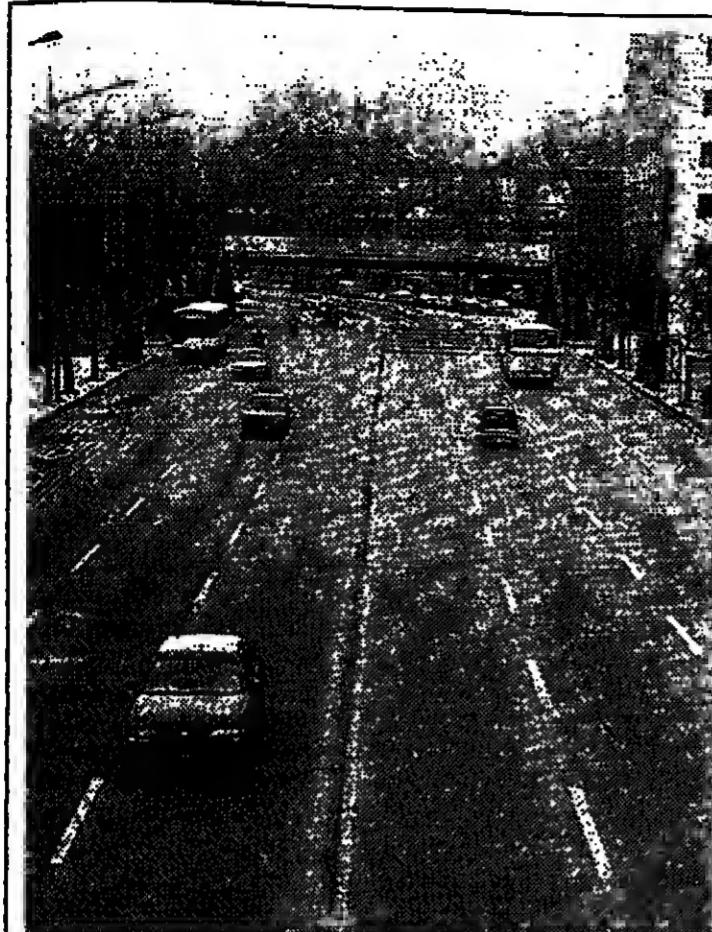
Support: 3770.25

Trade: 3772.50

Resistance: 3775.25

ASIA/PACIFIC

South Korea Is Looking for a Few Good Bookkeepers



A street in Seoul was nearly deserted on Friday, as a holiday and an increase in gasoline prices kept residents at home.

U.S. Accounting Standards Will Soon Become the Norm

By Kevin Sullivan
Washington Post Service

SEOUL — It was cold on the New Year's Eve holiday, so Jung Seung Yong was bundled up in a flannel jacket with a portable heater at his side. He sat alone in the drafty classroom with his calculator, books and an accounting textbook.

"I want to make some contribution to our country," said Mr. Jung, 40, a computer company employee who has been studying for a year in hopes of passing the U.S.-certified public accountant exam. "Our markets are going to be open to the whole world, so we need standardized practices."

Accounting may not be sexy, but it will be pivotal in determining whether South Korea will be able to pull itself up from financial ruin and regain its place as an economic power. The International Monetary Fund and other leaders have stepped in to rescue the world's 11th largest economy with loans totaling about \$60 billion. In return, the IMF is demanding that South Korea reform its murky economic practices and become a more "transparent" economy.

In blunter terms, that means South Korea has been told it no longer can cook the books. The IMF is seeking a South Korea in which corporations no longer will be able to hide debts by keeping a second — or third or fourth

ledger far from public view. No more cash in the desk drawer, the IMF has urged, and no more politically influenced loans to cronies without a credit check. No more spreading corporate debt around to so many subsidiaries that only the chairman knows for sure whether the company is a million dollars in the black or a billion in the red.

No reform, no IMF bailout — and no future, the bank's negotiators have warned. To prevent that, one of the first things South Korea needs is a few good accountants, and Choi Chang Ho is aiming to fill the need.

Mr. Choi, 39, an American-trained certified public accountant who has studied at American University and Georgetown University in Washington, runs the Korea Accounting and Information School, one of only two or three private institutions in South Korea offering courses to prepare students to take the notoriously difficult U.S. accountancy exam.

"In Korea, we are very secret business people; we keep secret books," said Mr. Choi, whose school is affiliated with the California-based Becker CPA Review program. "But the IMF has said we have to adapt and become more transparent, so people have got to learn the U.S. standards."

That means South Korean accountants must begin following the same accounting rules as the American, European and other Asian

companies they trade with. The international language spoken by bookkeepers in the global economy is the standard set by the U.S. exam.

Since Mr. Choi started offering the courses in July 1995, 27 of his students have passed the American test. An additional 80 people will travel to Los Angeles in May to take the exam. The school has 250 students enrolled, up from 200 last semester and heading for 300 in the semester that starts in March.

After the economy went sour and the IMF program was announced last month, the number of applications took off. Ads in local newspapers are getting triple the response they received in November. When Mr. Choi gave a seminar describing his program two weeks ago, he expected about 50 people to attend, but 170 showed up. Demand is especially high among mid-career professionals who see the writing on the wall: Learn the way the world does business or be left behind.

American companies in Seoul, including Ernst & Young and Citicorp, are paying their employees to take Mr. Choi's courses. Firms such as Coopers & Lybrand, Price Waterhouse and KPMG Peat Marwick have hired his graduates. One of Mr. Choi's former students just opened a similar school, and Yonsei University soon will offer courses to prepare students to take the U.S. exam.

"I would think that sort of school would do quite well here over the next few years," said Stephen Bosworth, the U.S. ambassador to South Korea. "As part of the IMF program, and in their own self-interest, Koreans are going to have to raise their level of corporate governance to world standards."

Certainly, a handful of newly minted accountants are not going to change the way Korea Inc. does business, no more than a few people with paddles could change the course of an oil tanker. But most people here agree that the seeds of change are being planted in courses such as those offered by Mr. Choi.

"Our economy is going to open up to foreigners, so we need to know international standards," said Yoon Kyung Sik, a partner at Ernst & Young, which is sending eight employees a year to Mr. Choi's school.

Mr. Yoon also said that the South Korean market is still effectively closed to foreign accountants. Technically, foreigners are allowed to work in the field, he said, but they must pass the South Korean accountancy exam in the Korean language, which few can manage.

Investor's Asia		
Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
16500	2000	2000
15000	1900	1900
13500	1800	1800
12000	1700	1700
10500	1600	1600
9000	15000	15000
1987 1988 1989 1990	ASONDI ASONDI ASONDI	ASONDI ASONDI ASONDI
Exchange rate index	Friday Close	Friday Close
Hong Kong Hang Seng 10,590.57 10,722.76 +0.26	Singapore Straits Times 1,618.20 1,629.04 -0.76	Tokyo Nikkei 225 15,258.74 15,258.74 -0.76
Sydney ASX Ordinance 2,602.10 2,615.50 -0.26	Taipei Stock Market Index Closed 8,187.27	Bangkok SET Closed 372.69
Taipei Stock Market Index Closed 8,187.27	Saigon Composite Closed 375.15	Saigon Composite Closed 375.15
Malta PSE 1,884.27 1,889.23 +0.16	Indonesia Composite Index 410.01 401.71 -2.07	Wellington NZSE 40 Closed 2,814.61
Indonesia Composite Index 410.01 401.71 -2.07	Singapore Stock Exchange Index 3,719.85 3,694.92 -0.55	Singapore Stock Exchange Index 3,719.85 3,694.92 -0.55

Source: Telekurs International Herald Tribune

Very briefly:

• Chongqing, the Chinese metropolis, has pioneered a tax on cigarette sales to help pay for anti-smoking campaigns; the urban area imposed a levy of 0.1 percent on sales by cigarette manufacturers and vendors, beginning Jan. 1, to fund education and smoking-prevention activities.

• Pearl Oriental Holdings Ltd. said sales worth 558 million Hong Kong dollars (\$72 million) had just collapsed, the second time in two weeks the Hong Kong developer reported that major sales had fallen through.

• Sakura Bank Ltd. and units of the Mitsui group are considering forming a holding company, a Japanese news service reported, quoting financial-industry sources.

• New Zealand's current-account deficit is a source of concern, Moody's Investors Service Inc. said, adding that fallout from the Asian financial crisis could exacerbate the situation.

• Sri Lanka's tea industry said it feared an expected drought would affect output this year after a boom year in 1997.

• India eased restrictions on textile imports in line with its agreement with the European Union, Australia, Canada, Japan, New Zealand and Switzerland to lift restrictions by 2003.

• India's central bank tightened its supervision of small, non-bank lenders by limiting the amount of long-term deposits they can accept and capping the interest rates they pay on annual deposits at 16 percent.

• China's textile industry suffered an 8.6 percent drop in investment to 11.4 billion yuan (\$1.37 billion) in the first 10 months of 1997, compared with the previous year, despite government efforts to bolster the sector.

• Vickers Ballast Holdings Ltd., the Singapore-based brokerage, said it agreed to pay 2.8 million Singapore dollars (\$1.66 million) to Singapex Investments Pte. for the remaining 20 percent stake of its Philippine unit, its second move in two weeks to expand operations in Southeast Asia.

• Mitsubishi Corp. is introducing a so-called extranet system to provide a link to its corporate customers in Japan, Taiwan and Hong Kong via the Internet, Nikkei English News reported.

Bloomberg, Reuters, APP, AFP

Malaysia Sets a Deadline for Finance Mergers

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Aiming to avoid a Thai-style financial meltdown, Malaysia's central bank on Friday set a "target deadline" of March 2 for mergers of the country's many small finance companies.

The statement by Bank Negara was buttressed by the announcement hours earlier that one of the country's biggest banks would take over a small finance company.

Hong Leong Bank Bhd. said it would take over Bolton Finance Bhd., but it gave no details as to how the deal would be structured.

The merger would create Malaysia's fourth-largest finance company, with assets of 9.3 billion ringgit (\$2.38 billion), said Hong Leong's managing director, James Lim Cheng Poh.

Lai Tak Heong, director of research at SocGen Crosby Research Malaysia Sdn., said finance company mergers would "reduce systemic risk."

"If you have one small finance company collapsing," he said, "it may affect the whole system."

As Malaysia's economy has slowed in recent months, many loans have turned bad, leaving smaller finance companies vulnerable to runs by panicked depositors.

"A lot of the finance companies are really tiny and frankly have no reason to be around," Mr. Lai said. "Basically Bank Negara is using the big stick and saying you guys have to be taken over, full stop."

Mr. Lim, the Hong Leong executive, said several small finance companies seemed eager to merge. "They see the situation is more difficult and they put themselves on the

shopping list," he said.

Finance companies were at the center of Thailand's financial crisis, and Bangkok was forced late last year to shut down 56 of 91 finance firms.

The move by Bank Negara is aimed not only at preventing a repeat of the Thai crisis but at consolidating the financial sector before Malaysia further opens up to foreign participation.

"The finance companies are pooling their resources so that they can withstand external competition," said Mohammed Ariff, executive director of the Malaysian Institute of Economic Research, a government-linked think tank.

Officials hope to stem the flow of deposits from local banks and finance companies to foreign-owned banks operating in Malaysia. Loopholes have formed at local branches

of Standard Chartered Bank and Hongkong Bank, despite the fact these banks often offer lower interest rates than Malaysian ones.

There are a total of 39 finance companies in Malaysia today. The central bank said Friday that it had "envisioned" that by the end of the first quarter of this year, 90 percent of finance company business would be in the hands of about six companies.

Still, analysts said the mergers would not solve all of the finance companies' problems.

"If you mix a big ooe with a small one, that doesn't mean you're going to get a decent-looking balance sheet out of the new companies," said Steve Clayton, managing director of Caspian Securities. "The solution to the problem is the creation of new capital, and one way to do this is by inviting foreign participation into the shareholding structure."

Qantas Suspends Its Service to South Korea

Coupled by Our Staff From Overseas

SYDNEY — Qantas Airways Ltd. said Friday it would suspend services from South Korea to Australia because of a slump in passengers from the region, the third airline to cancel flights on the route amid Asia's deepening economic crisis.

The moves confirm the worst fears of tourism authorities, who have been forced to drastically revise their projections of growth in Asian tourist arrivals, which had been buoyant until recently.

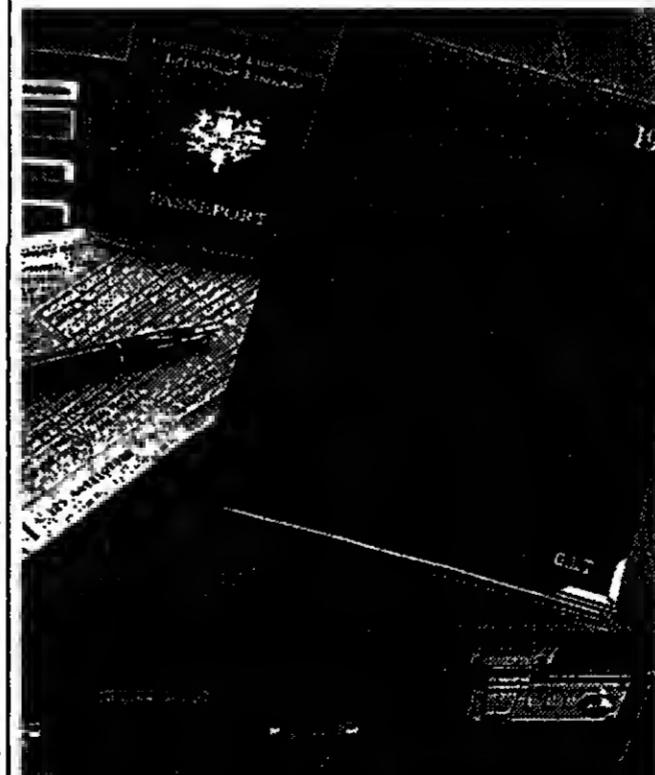
"In the past month, Qantas has experienced a drop of nearly 20 percent in demand for seats on the route, compared with the same period last year," said Geoff Dixon, an executive at the airline.

and said Asian routes were among its least profitable.

Mr. Dixon said that yields on Qantas's South Korean routes had not been performing very well for some time, and that the route made up a small proportion of the airline's overall business. He said the airline carried about 65,000 passengers from South Korea last year, compared with about 17 million total passengers.

Ian Myles, a transportation analyst at Macquarie Equities, said the move would not have much impact on Qantas's profitability. Shares in Qantas fell 4.6 cents to 2.67 dollars Tuesday in Sydney. (Bloomberg, AFP)

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KOREA: Seoul to Sell Off 2 Banks as Financial Reform Begins

Continued from Page 9

In South Korea, the financial situation continues to look grim. The government broadcast a request on national television Thursday for the nation's citizens to donate any gold they owned, such as jewelry, to help alleviate the debt crisis. In a New Year's address, President-elect Kim Dae Jung warned of "many unimaginable hardships" facing South Korea in 1998. Mr. Kim alluded to waves of bankruptcies and layoffs that will sweep the country this year.

One of the main sticking points now is labor. When South Korea's legislators passed a package of new laws last week aimed at easing restrictions on foreign investment in South Korean compa-

nies, a notable exception was

any agreement on the scope and mechanics of laying off financial workers in Korean institutions that are put up for

sale. Separately, South Korean media reported fresh trade figures Friday, showing that the country posted a \$2.32 billion trade surplus in December. With the currency dropping so sharply, imports tumbled 24.7 percent, to \$10.24 billion, while exports increased 2.8 percent, to \$12.56 billion.

One of the significant changes will allow foreign banks to open retail branches in South Korea this year. But it will likely be far more cost-effective to take over an existing bank that already operates a large number of branches than to open new branches. Bankers have said that a foreign takeover of a

NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press

NYSE

Friday's 4 P.M. Close (Continued)

**Argentina: Over
Invested Portfolio is a Monthly**

Special Portfolio is a Monthly



Britain: Plan Is N

Government May Change Rule

MONEY

MONDAY
SPORTSSATURDAY-SUNDAY,
JANUARY 3-4, 1998
PAGE 15

A Basket of Nest-Egg Strategies

Analysts Offer Plans for Investing in Your Retirement in 5 Countries

AROUND THE globe, citizens who once assumed that their governments would pay for a comfortable old age are now facing up to the harsh reality: Just as people reach the age at which they will be most in need of income, state-run pension plans are warning them that they will not be able to pick up the bills. It is increasingly clear that for at least a portion of their retirement income, many individuals will have to fend for themselves.

The message first got out in the United States, where the retirement crisis has been hammered home to Americans by the personal-finance media and, not surprisingly, by the mutual-fund companies, brokers and financial advisers who stand to benefit handsomely from it.

But the bad news is also starting to sink in elsewhere.

In Germany, an underfunded state retirement system and cutbacks in company benefits, coupled with estimates that 28 percent of the population will be older than 65 by 2040, up from 16 percent now, make it painfully apparent that there will not be enough retirement

money to go around. Britain's demographics are not quite as negative. But the government is already encouraging citizens to supplement state retirement payments by starting their own tax-advantaged investment portfolios.

In Latin America, once unstable economies are moving to widespread, private pensions, but much of the benefits will flow to those who are still young.

Governments are not going to drop out of the retirement picture entirely, however.

Moreover, many people also will benefit from company pension plans. But for many, especially those who are already in their 40s, the difference between retirement that includes the luxury of travel and homes in warm climates and one in which the retirees merely get along, will depend on income generated by personal investments.

For those not fortunate enough to have a company pension, such investments could well be the primary source of income.

With that in mind, this issue of The

Money Report will look at strategies in various countries for investors who want to build nest eggs for retirement.

In order to provide specific advice, we assumed that the investors were 40 years old, had adequate insurance, residence and about \$30,000 available to invest for pension purposes.

We asked advisers in Argentina, Britain, Germany, Hong Kong and the United States to tailor programs for this profile, taking into account local tax laws and investor preferences.

Most of the advisers who we contacted were reluctant to recommend individual securities, suggesting instead that investors with what they considered to be relatively modest \$30,000 portfolios stick to mutual funds.

For investors everywhere, we also have provided worksheets and tables to help you get a handle on your own finances and goals.

The beginning of a new year is as good a time as any to evaluate your position and to see whether you are heading in the right financial direction.

Argentina: Overcoming Equity Jitters

Suggested Portfolio is a Mostly Global, 50-50 Mix of Stocks and Bonds

By Judith Rehak

RICARDO GOWLAND, the manager of the Prudential Securities office in Buenos Aires, said he was seeing expanded interest in saving for retirement among his clients. He just wishes they would buy stocks.

"But that's not our history," he said, noting that even though Argentina had experienced negative inflation for the past three years, investors remember years of financial instability and a small stock market dominated by short-term players. Together, this adds up to a generally bad experience with equities.

As a result, he said, "Argentine investors like to be in bonds, and you can't change their minds in two to three years."

So, realistically, Mr. Gowland's suggested \$30,000 portfolio of Luxembourg-domiciled, offshore funds is 50 percent devoted to bonds and 50 percent to equities.

He said that for an Argentinian, that was "already a very good diversification."

"You can't say suddenly, 'Now put 80 percent in stocks,'" he added.

Because Argentina's stock and bond markets are relatively small, Mr. Gowland's fund choices (run mostly by American money managers, since Prudential is an American company), are global.

The largest portion of his portfolio—30 percent—is devoted to Prudential's

offshore global bond vehicle, the conservatively managed PRICOA Global Bond Fund.

The fund has returned about 6 percent annually over the last three years.

To boost those returns, Mr. Gowland allotted 10 percent each to the higher-yielding Scudder Emerging Markets Income Fund, returning roughly 20 percent a year over the same period, and the PRICOA U.S. High Yield Fund.

On the equity side, Mr. Gowland chose two global funds that concentrate on large companies, giving his biggest allocation—15 percent—to Templeton Global Growth.

Templeton owns good-quality stocks; it's diversified in a lot of countries and it has a good track record," he said.

As a different approach to the same sector, he also took a 5 percent stake in Scudder Strategic Global Themes, which picks companies that stand to benefit from economic trends, such as corporate restructuring.

From there, Mr. Gowland narrowed his picks to regional vehicles, giving 5 percent to PRICOA's European Growth Fund, which focuses on medium-size and large companies in Europe's developed economies, and 10 percent to the PRICOA U.S. Emerging Growth Fund, which buys small- and medium-sized American companies.

Finally, he split a 10 percent stake between rival emerging-markets funds managed by Scudder and Templeton.

Although he sometimes suggests Asia funds, he is avoiding that part of the world right now because of the region's economic crisis.

"My clients would be too scared," he said.

International investors have reaped some handsome returns from Argentinian stocks, such as YPF SA, the country's oil conglomerate, and Telefónica Argentina. But Mr. Gowland said a \$50,000 portfolio was too small to buy individual stocks. Instead, he chose to access his country's market through a diversified vehicle, Scudder's Latin America Fund, for the remaining 5 percent of the portfolio.

If his investor is wedded to bonds, he recommended an alternative, the well-managed, local Consulting Fund, which buys both stocks and bonds in Latin America.

Mr. Gowland said he expected this portfolio to return an average 8 percent a year, adding that there was no capital-gains tax in Argentina. He noted that the country's social security system was privatized three years ago, but that most Argentinian companies, with the exception of multinationals, do not offer retirement plans.

"Old people here have a bad time, and young people understand that," he added.

In his view, the biggest hurdle is changing the investor psychology that took hold during Argentina's long years of economic and financial instability.

"We are really trying to educate our clients to long-term investing," he said.

SUGGESTED PORTFOLIO: PRICOA Global Bond Fund, 30 percent; Scudder Emerging Markets Income Fund, 10 percent; PRICOA U.S. High Yield Fund, 10 percent; PRICOA U.S. Emerging Growth Fund, 10 percent; Scudder Strategic Global Themes Fund, 5 percent; Templeton Global Growth Fund, 15 percent; PRICOA European Growth Fund, 5 percent; Scudder Latin America Fund, 5 percent; Scudder Emerging Markets Growth Fund, 5 percent; Templeton Emerging Markets Fund, 5 percent.

have a positive net worth but also owe money, you might want to consider liquidating some of your holdings to pay off your loans.

Now move to Table II. You might have to convert some of the items, such as salary and taxes, to a monthly from an annual basis. To calculate the monthly income-tax bite, try taking the taxes you paid in 1996 or 1997, divide by 12 and increase that result by whatever percentage rise you expect in your salary for 1998 plus one or two percentage points because the new money will be in the highest bracket to which you are subject. Additionally, if much of your investing is in taxable vehicles, you should add one or two more percentage points to account for increased income given your assets grow, although some countries give you a break on gains.

The difference between your income

and expenses is the amount you have available to invest. If you came up with a negative number you have a problem:

you are spending more than you are making. Unless you have a high net worth or are expecting a big raise or a financial windfall, you will have to come up with ways to trim your expenses.

As is evident from the 1997 performance of the financial markets, nobody can tell you what kind of returns your investments will provide to any given year.

Yet based on long-term results in the United States, extremely conservative investors who hold mostly cash and highly rated short-term Treasury notes can expect an annual return over time, while an equal weighting of stocks and bonds might provide 8 percent, and investors concentrating on equities only might hope for 12 percent a year.

SO WITH those ground rules in mind, it is time to start tackling the form.

I. THE FIRST step is to identify your net worth, but its main goal is to identify how much money you have available to invest. You have to pick a single currency to do the calculations. If you have holdings in more than one country, you can use the foreign-exchange table on the first page of the daily Business/Finance section to convert them into your main currency.

Ideally, when you add up your assets and liabilities you will come out with a positive net worth. If not, remember to include the monthly debt-service costs with your expenses. If you

I. Where You Are Now

Assets

Cash and equivalents
Checking accounts and money-market funds
Savings accounts
Cash value of life insurance

Investments

Stocks
Bonds
Mutual Funds
Equity interest in a business
Company retirement plan
Individual retirement plan
Government pension plan
Profit sharing
Loans owed to you

Real estate (estimated current market value)

Residence
Vacation or second home
Other properties

Personal property (estimated current market value)

Household furnishings
Car
Jewelry, furs
Antiques, art, collections, etc.

TOTAL ASSETS

Liabilities

Credit card balances
Charge account balances
Utilities
Auto loans
Mortgage on primary residence
Mortgage on vacation property
Personal loans
Life insurance loans
Other

TOTAL LIABILITIES

TOTAL ASSETS

SUBTRACT

TOTAL LIABILITIES

YOUR NET WORTH

II. Income

Salary

Rental income
Other

Total Income

Expenses

Mortgage or rent
Income taxes
Social charges
Attorney, child support
Installment and credit card payments

Insurance premiums:
Auto
Homeowners
Life
Health

Legal and accountants fees
Food

Utilities:
Power
Telephone
Water and sewer
Other

Home maintenance & furnishings
Automobile:
Gas & oil
Repairs & maintenance

Other transportation

Pocket money

Clothing/cleaning and laundry

Personal care

Medical and dental bills

Entertainment, recreation, gifts

Charitable contributions

Subscriptions

Miscellaneous

Other

Total Expenses

Britain: Plan Is New, Saving's the Same

Government May Change Rules, but Investment Possibilities Remain

By Conrad de Aenle

SAVING MONEY in Britain just got more complicated, thanks to a government initiative intended to simplify it. A number of tax-advantaged savings and investment programs introduced over the last decade will be abolished in 1999 and replaced by the individual savings account.

It sounds sensible enough, except that the government has set a ceiling of £50,000 (\$82,500) for such contributions. That new measure could hurt hundreds of thousands of middle-class Britons who have squirreled away substantially more in personal-equity plans, known as PEPs, in which capital gains and dividends are not taxed, and tax-exempt special savings accounts, known as TESSAs, which accrue interest tax-free.

The plan has endured harsh criticism in the press. But it is unclear whether capital-gains tax will suddenly come due on personal-equity-plan balances exceeding £50,000, and at what cost basis the shares in those plans will carry at the 1999 transfer date.

Also unclear is whether the vilified ceiling will stand. The new Labour government lost considerable popular and moral authority upon the disclosure that the treasury minister who concocted the new individual savings accounts is a beneficiary of a multimillion-pound offshore trust. No ceiling for him.

Since PEPs and TESSAs were introduced, retirement planning in Britain has become concerned tax planning. This will remain true in the run-up to the introduction of the new savings accounts, despite the confusion.

Tax is especially important for The Money Report's hypothetical 40-year-old saver, because nearly half their annual salary — about £60,000 in Britain — is taxed at 40 percent. Any invest-

ment income is taxed at that rate, too, as are capital gains above £6,500 a year.

Duncan Fry, a director at the London stockbrokerage Quilter & Co., encouraged such investors to place as much money as possible in PEPs and TESSAs before the deadline, then roll it over into an individual savings account when the time comes.

But that should only be done, he said, after the investor makes the maximum allowable contribution to a pension plan, which is about 15 percent of salary. Because such contributions are made with before-tax pounds, a taxpayer in the marginal 40 percent bracket could put £10,000 to work in a pension account while cutting take-home pay by only £6,000.

An added benefit is that upon retirement, the 25 percent of a pension that can be taken as a tax-free lump sum (the rest must be rolled over into an annuity) can be used to clear any mortgage balance.

Mrs. FRY'S recommendations are based on the assumption that the investor is a married homeowner, who has two children and whose spouse is not employed outside of the home. His goal is to retire at the age of 60.

Having a spouse who does not have outside income would make a £50,000 individual-savings-account ceiling non-problematic for this investor. Mr. Fry noted that husbands and wives are taxed separately under British law. Income and gains on any assets transferred into the wife's name would be taxed at much lower rates — zero, in fact, on at least the first £4,000. Also, each spouse can benefit from the £6,500 capital-gain exemption.

Mr. Fry stressed that through these many tax-friendly savings devices, the investor's goals can be reached without

the outsized returns in the markets experienced in the last three years.

"With good advice and careful management of their money, with 20 years to retirement there is no reason why this man cannot achieve his long-term financial objectives," he said.

"Remember, 7 percent growth for 10 years all but doubles your money," Mr. Fry added.

The best way to achieve it depends on specific needs. For instance, he said, if money will be required at a certain date, say to pay children's education costs, zero-dividend preference shares are attractive. These are mutual-fund shares with an anticipated value at a target date when the fund is to be wound up. Like zero-coupon bonds, the shares trade at a discount to that value and pay no income. By holding zeroes, the investor can count on receiving a lump sum when needed, unless the value of the fund's holdings plunges.

Such idiosyncratic needs aside, Mr. Fry recommended that the investor place the £30,000 lump sum, minus any cash committed to a Tessa, plus monthly savings into an assortment of funds diversified by investment objective. He noted that many fund companies have personal-portfolio-management services that provide such diversification. He cited Quilter's Maximum Growth Portfolio as an example.

As the investor's wealth grows, Mr. Fry added, he will become eligible for even more individualized forms of management by brokers and fund companies. Thus, he can have his asset allocation further tailored to his needs and wants.

QUESTER & CO.'S Maximum Growth Portfolio (all funds are open-end funds, except those listed), which is closed-end and investment-grade funds that trade on the London Stock Exchange: Schroder U.K. Enterprise, 20 percent; Mercury Recovery, 20 percent; Schroder U.K. Income, 10 percent; Widener Emerging, 10 percent; Fidelity South East Asia, 10 percent; Hill-Stern U.K. Emerging Companies, 8 percent; Rowe & Frazier Japan Growth, 6 percent; Kleinwort Benson Emerging Markets*, 5 percent and GT Japan*, 4 percent.

III. Specific Financial Goals

THE MONEY REPORT

Getting Whipped in the Best of Times: Few Funds Can Beat the Indexes

SPRINTING TO THE wire, U.S. stocks have just completed their best three-year stretch in modern history. The Standard & Poor's 500-Stock Index, the standard measure of the broad market, has returned an annual average of 31.2 percent since Jan. 1, 1995, according to Lipper Analytical Services. That eclipses the record set from 1926 to 1928 — an ominous set of dates.

In other words, if you had invested \$100 in the stocks of the index three years ago, you would have \$226 today, including the fruits of your reinvested dividends.

That is the good news. The bad news is that if you had invested \$100 in the average diversified U.S.-stock mutual fund during that same period, you would have \$194 today — or 14 percent less.

Even worse, the chances that you could pick a mutual fund that would perform as well as the stock index were roughly the same as a 15-to-1 shot winning the third race at Longchamps.

I asked the researchers at Lipper to find out how many diversified U.S.

stock funds beat the S&P over this record-setting three-year period. The answer: just 6 percent of the 1,573 funds studied.

I also asked for the names of the best of those funds — and I'll get to them later, along with suggestions on how to find such winners for the future. But, first, let's look at the miserable record of mutual-fund managers against the indexes.

The S&P 500 has beaten the majority of funds in 10 of the past 14 years, including the last four in a row. It's true that this index, which roughly comprises the stocks of America's 500 largest companies, outstripped the Dow by a surprising nine percentage points in 1997. But the Dow beat the S&P by six points in 1996, and the indexes finished in a dead heat in 1995. (All of these figures, which I derived from Bloomberg Business News, assume that dividends are reinvested in the stocks of the index.)

Since 1995, the average fund has returned 24.5 percent annually. That is seven percentage points less than the S&P 500, six points less than the Dow just \$8,947, or two-fifths less.

Why are so many funds regularly whipped by the market averages? One reason is that a fund's return is diminished by the expenses and fees it charges to shareholders — usually between one and two percentage points a year. But, alone, that can't explain the seven-point gap between the typical fund and the S&P.

A simpler answer is that fund managers often make bad investments. They play the momentum game, trying to jump on hot stocks as they rise and jump off them as they fall. That rarely works, as academic studies have shown.

Also, some funds have become so huge that their managers believe they have to own hundreds of stocks, so they won't disturb the prices getting in or out. That can keep track?

One easy way to avoid funds that will be clobbered by the indexes is to invest in the indexes themselves. You can buy one of the many funds that mimic the

and use that knowledge to buy individual stocks.

One way to find good funds is to look at those with good records for the past three years or more. A list of such U.S.-based funds appears below.

Some themes emerge. These winning funds have low turnover: managers hold on to their stocks much longer than the average. White Oak, for instance, bought and sold just 8 percent of the shares in its portfolio last year, compared with nearly 100 percent for the typical fund.

Also, many of the winners have highly concentrated portfolios. The top nine holdings account for more than 50 percent of the Weitz fund's assets. At last report, Torray had 19 percent of its assets in just three stocks: Electronic Data Systems Inc., AT&T Corp. and SLM Holdings Inc., parent of the Student Loan Marketing Association. Rydex OTC has more than a third of its money in Microsoft Corp. and Intel Corp.

The majority of the funds are headquartered far from Wall Street, where money managers tend to talk to themselves. Four are in Maryland, one in Ohio and one is in Nebraska. Finally, and perhaps most importantly, the winning funds are run according to a disciplined investing philosophy. Legg Mason and Dreman stick to bargain stocks; Rydex Nova selects from a small universe of stocks on the NASDAQ 100 index; Torray is a master of large-cap value.

Washington Post Service

Lipper Analytical's list of top-performing U.S. general equity funds since 1995, with average annual returns and phone numbers:

• LEGG MASON VALUE TRUST, 40.0 percent. Call 1 410 822 5544.

• RYDEX NOVA, 39.7 percent. Call 1 800 465 8520, or, toll-free in the United States, 1 800 820 0888.

• TORRAY, 38.1 percent. Call 1 301 493 4600.

• WEITZ HICKORY, 37.7 percent. Call 1 402 391 1980, or, toll-free in the United States, 1 800 354 0183.

• MAS MIDCAP VALUE, 37.2 percent. Call 1 610 940 5000, or, toll-free in the United States, 1 800 820 0888.

• BARON GROWTH & INCOME, 36.3 percent. Call 1 212 583 2000, or, toll-free in the United States, 1 800 922 7766.

• WHITE OAK GROWTH, 36.0 percent. Call 1 330 668 1234.

• KEMPER DREMAN HIGH-RETURN, 35.6 percent. Call 1 312 781 1121, or toll-free in the United States, 1 800 651 1048.

JAMES GLASSMAN ON INVESTING

IV. Inflation

Multiply the price or your intended purchase by the appropriate number

Inflation Rates

Years	2%	4%	6%	10%
1	1.020	1.040	1.060	1.100
5	1.104	1.217	1.369	1.611
10	1.219	1.480	2.159	2.594
30	1.611	3.243	10.063	17.449

V. Growth

Multiply your current savings by the appropriate number to see how much they will grow over time

Investment

Rate	1	5	10	30
4%	1.040	1.217	1.611	3.243
8%	1.080	1.469	2.159	10.063
12%	1.120	1.762	2.594	29.960

VI. Savings

Savings per month needed to have 1,000 units of your currency

Investment

Rate	1	5	10	30
4%	\$2.00	15.06	67.79	1.45
8%	\$1.00	13.62	5.52	0.71
12%	\$0.67	12.33	4.46	0.32

Germany: For the East, a Stock-Minded Portfolio

By Barbara Wall

WHILE INVESTORS in Western Germany generally prefer bonds to stocks for long-term investment planning, the opposite rule applies in the East, where equities tend to outshine fixed-income vehicles, according to local investment advisers.

Heinz Klotzner, managing director of FMK Fond Centre in the Eastern city of Chemnitz, has been advising East German clients on investment matters since 1991. He suggested that because East German investors had been denied access to international equity markets until relatively recently, they were keen to make up for lost ground.

Asked to design a portfolio of investments for a typical 40-year-old East German client with \$50,000 to invest for retirement, Mr. Klotzner re-

commended four internationally oriented mutual funds. He suggested that the first \$15,000 be invested in the Fidelity Portfolio Selector DM Growth fund and \$10,000 in the Fidelity DM series European Growth fund.

"Both funds were chosen to take advantage of Fidelity's expertise in international stock selection," he said. "I particularly wanted the client to have exposure to European growth stocks because of the many benefits that European economic monetary union is likely to bring to local companies."

Continuing with the international theme, he suggested that \$15,000 be invested in the Davis Value Fund, which focuses on U.S. stocks.

"It is always good investment practice to have some exposure to the U.S. stock market," he said. "The prospects for American growth stocks are suf-

ficiently promising to warrant investing a sizable chunk of the portfolio in this area. The Davis Value Fund is one of the best U.S. equity growth funds around. We like it so much that we have invested \$700 million into the fund so far."

Finally, Mr. Klotzner recommended that \$10,000 be invested in the Metzler MI Privat Fonds Worldwide, which is run by Metzler Bank in Frankfurt. The fund is 50 percent invested in the United States, 15 percent in Germany, 5 percent in Britain, 5 percent in France and the remaining 10 percent in other developed markets.

Metzler Bank is over 300 years old and has a terrific reputation in Germany for portfolio management, but the style and track record of the fund manager, Klaus Hagerdorn, is the main reason why I chose this particular international

fund," Mr. Klotzner said. "Hagerdorn has a unique strategy for defining and selecting growth stocks. While I do not know all the details of his strategy, it certainly seems to be getting results."

Since the fund was started five years ago, it has achieved an average annual return of 16.5 percent. Mr. Klotzner said that this was an excellent result given that the fund exhibited little volatility.

"One aim of an investment adviser, though not the most important one, is to limit, where practicable, a client's exposure to tax," he said. "German-domiciled funds that are held for more than six months are only taxed on dividends and accrued interest above a certain threshold, currently 6,100 DM [\$3,425]. As there will be no dividends from the client's investment portfolio, there will be no tax hit."

SUGGESTED PORTFOLIO: Fidelity Portfolio Selector DM Growth, 30 percent; Davis Value Fund, 20 percent; Fidelity DM series European Growth fund, 20 percent; Metzler MI Privat Fonds Worldwide, 20 percent.

Hong Kong: Thick With Ex-Colony's Equities, a Blend Made for Risk-Takers

By Ann Brocklehurst

HONG KONG investors pride themselves on taking risks, and their typical portfolios are more heavily weighted in equities than are those of investors outside of Asia.

"In this part of the world, because of the very high inflation, people have to have a much higher weighting in equities in order to outperform," said John Cheung, managing director for private plans at HSBC Asset Management. "In some instances, the equity weighting can be higher than 80 percent."

With annual inflation of about 6.5 percent, Mr. Cheung would counsel the hypothetical 40-year-old planning for

retirement to stick what he considers a relatively conservative 65 percent of the \$50,000 in stocks, 22 percent bonds and 10 percent in cash.

Of the money invested in equities, he would allocate almost half to Hong Kong and Southeast Asia.

He recommends putting \$12,500 into Hong Kong stocks to minimize currency risks and \$4,000 into Asian markets such as Australia, Singapore and Taiwan.

He would avoid Indonesia, the Philippines and Thailand.

Despite the recent collapse of the Hong Kong market, Mr. Cheung remains bullish about the territory because he sees it benefiting strongly from Chinese economic growth of about 9 percent a year.

"We're expecting interest rates in

China to come down further and economic growth to pick up again," he said. "And Hong Kong will continue to be the best place to attract foreign funds investing in China."

Mr. Cheung recommends investing the balance of the money allocated to equities to a diversified group of more mature markets with \$5,000 in the United States, \$4,500 in Japan and \$3,000 in Europe.

He suggests using mutual funds as the investment vehicle and would buy country funds, which try to beat the relevant indexes and purchase mainly blue-chip stocks.

As for his \$11,000 bond portfolio, the bulk would be in Hong Kong and U.S. dollar instruments. Although there was

a fall in residential prices of up to 20 percent since October,

"Historically, property goes up in line with inflation," he said. "Secondly, there's still a short supply, and, thirdly, because of economic

growth, people want to improve their living standard."

He noted that real-estate values had almost doubled since 1995 and rose 20 percent in the first six months of 1997 during the pre-handover euphoria.

Reasonably new apartments in the Mid-Levels and Kowloon areas are now valued at approximately \$1,000 per square foot (930 square centimeters), while in the New Territories they sell for \$750 per square foot.

Investors who bought apartments a few years ago will obviously have benefited from the sharp increase in value, but with only \$50,000 to spend now, there are unlikely to be other suitable investments in the current market.

"In some countries, \$50,000 may be quite a lot," he said, "but in this part of

the world, especially in Hong Kong, the sum is quite small if he wants to invest in property."

According to Mr. Cheung, an average investor has little choice but to opt for stocks, sit tight and live up to the reputation as a risk taker.

"He's only 40 years old and he'll probably have to work for another 20 years," he said. "He can afford to ride out all the ups and downs."

He added, "Maybe for the first half of 98, the situation's still a little bit bleak, but I think longer term Asia is still the high-growth area coming into the next decade."

Mr. Cheung's calculations, if you start this portfolio today, \$50,000, at 15 percent annual average appreciation, will grow to \$406,855 in 15 years — even if you never add another dime.

But if you plan to add more cash each year, how much would he advise?

"Put in all you can," Mr. Cheung said. "Just dump it in. Save for your old age."

SUGGESTED ALLOCATION: Hong Kong stocks, 25 percent; Japanese stocks, 10 percent; U.S. stocks, 10 percent; Japanese stocks, 9 percent; other Pacific stocks, 5 percent; U.S. dollar-denominated bonds, 22 percent; Hong Kong dollar-denominated bonds, 10 percent.

United States: Long-Term Retirement Vehicles in the 'Middle of the Road'

By Judith Rehak

MUTUAL FUNDS are one of the most popular ways for Americans to save for retirement. At the end of 1996, an astonishing \$1.24 trillion, or 35 percent of total fund assets of \$3.5 trillion, were in some form of retirement vehicle, according to the Investment Company Institute. That was a leap of 25 percent from 1995, with roughly a third from new cash flow.

To build a retirement nest egg using funds, Sheldon Jacobs, a financial adviser based in Irvington-on-Hudson, New York, who edits a newsletter, The No-Load Fund Advisor, suggested a portfolio of seven vehicles that are

THE MONEY REPORT

BRIEFCASE

Fund Managers Didn't Flee Japan

Where have American mutual-fund managers who shop the world for their stock picks been placing their biggest bets? In its year-end review, Lipper Analytical Services, the fund-data providers, came up with some unexpected findings.

One of the most surprising revelations, said A. Michael Lipper, president of the company, was that financially embattled Japan accounted for a 15 percent allocation, the second-largest after the United States.

Why? He suggested that many global portfolio managers in the United States were accustomed to running separate accounts for big American pension funds, who often follow the benchmark S&P 500 (Europe America Far East) index, in which Japan has a 27 percent weighting.

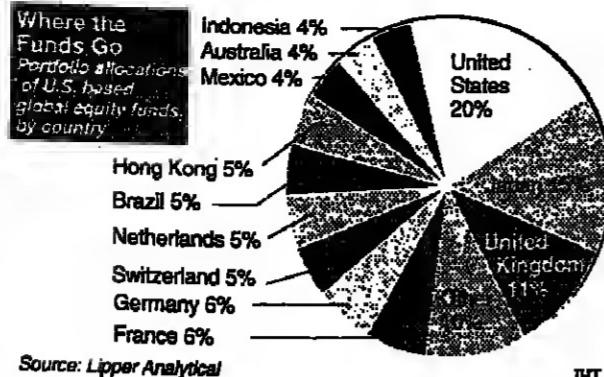
"The same thinking carries over to the mutual funds," he said.

While Britain, with a healthy 11 percent allocation, seemed reasonable, Mr. Lipper puzzled over the 6 percent stake in France.

"There has never been much reason to be there," he said.

Even more questionable, in his view, was the fact that

Where the Funds Go
Portfolio allocations
of U.S.-based
global equity funds,
by country



Source: Lipper Analytical

WEBS Run Circles Around Funds

Global investors who prefer to focus on a single country might want to consider World Equity Benchmark Shares, index-linked funds that seek to match the price performance of Morgan Stanley Capital Indexes for 17 countries.

According to a report from Salomon Smith Barney, WEBS, which were introduced in March 1996, are proving to be an efficient, low-cost way of investing in a portfolio of equities of a single country, especially when contrasted with closed-end, single-country funds, which try to beat the performance of their benchmark by active stock selection.

U.S. securities regulations bar WEBS from precisely replicating an index. Nevertheless, the analysis of the report's authors, Michael Porter

and Ruth Fishbein, shows that they are quite close to their benchmark indexes.

More important, their research revealed that WEBS share prices reflect 90 percent of the market value of the stocks they own.

That contrasts sharply with prices of single-country closed-end funds, which often trade at discounts and sometimes premiums to the market value of their holdings and are burdened with high expenses.

Of 13 WEBS that have corresponding country funds, the discount or premium to net asset value was 0.75 percent at the end of November, while the average for the related country fund was 18 percent. With WEBS, "you get what you pay for," the analysts concluded.

WEBS for the 17 countries, from Switzerland and Belgium to Mexico and Hong Kong, are traded on the American Stock Exchange.

The analysts went bottom-fishing in Asia for two of their top picks in 1996, Malaysia (EWM) and Singapore (EWS), currently trading from 45 to 70 percent below their 52-week highs.

In Europe, they like Austria (EWO) and Italy (EWI).

Emerging-markets fans who remain undaunted, take note: "More WEBS are on the way in the coming year, especially for emerging Asia," Ms. Fishbein said.

(IHT)

Some Plays for '98
In Eastern Europe

own generic version of an antibiotic that helps the body overcome rejection in transplant operations. But it can only be sold where the market leader, Sandoz AG, has no sales of its own patented version.

Mr. Krans said he also likes Telecom for earnings growth, as demand and fees from mobile phone interconnections rise. But he said the country's troubled banks would not do well next year.

Albert Oesterreicher of the Oesterreicher & Co. brokerage said the appointment of the central bank governor, Josef Tosovsky, as the next prime minister is a signal that desperately needed bank privatization will take effect. Banks, he said, would remain flat, but utilities like Telecom and the power company CEZ AS should move up. "In the case of blue chips, the corrections this year have been so huge, that it's very hard to imagine they could fall further, but the valuations are quite low," he said.

In Hungary, Peter Karli at Wood & Co. said that because the market there was fully valued, there were no easy bargains. Instead, he likes blue chips with expanding markets. The telecommunications company Matra Rt just introduced a new stock issue, including American depositary receipts on the New York Stock Exchange. Gedeon Richter Rt., a pharmaceuticals company that exports 70 percent of its production to Poland and the former Soviet

Union is also a concern.

"There's very huge growth in the Soviet market and Richter has good access to the region," he said. (IHT)

Crude-Oil Futures Refuel Portfolios

If your stock portfolio is sluggish and not running smoothly, you may be low on fuel.

Daniel Nash, a derivatives specialist at Morgan Stanley, Dean Witter, Discover & Co., has found that putting a percentage of the assets of a U.S. equity portfolio into crude-oil futures lowers the portfolio's volatility and increases returns.

Since 1983, the Standard & Poor's 500 index of U.S. blue chips has risen by 13 percent per year. That return would have increased to 13.6 percent if 20 percent of a portfolio that mimics the index had been used to buy oil futures. Smaller percentages in oil would have boosted returns by smaller amounts.

The pattern for volatility was more complex: Increasing the percentage in oil cut volatility, but only until oil constituted 15 percent of the portfolio. Then volatility was about 10 percent lower than for a portfolio with no oil, but volatility — a measure of risk — began to increase as more money was put in oil futures.

Why would crude-oil futures enhance a stock portfolio?

"The argument is that

events that correspond to high commodity prices — inflation or conflict — often correspond to poor performance in financial assets," Mr. Nash said. "The commodity that seems to reflect this most is crude oil, since it is the one commodity that underlies most of our economy." (IHT)

Safe Malaysia Bet: Gambling Stocks

By Malaysian standards, 1998 is supposed to be a lucky year. Both eight and nine are considered fortunate numbers especially by the country's Chinese community.

But it does not take investing genius to see that things are not working out the way the numerologists planned.

With the Malaysian economy forecast to grow at about 3 percent next year, some stock analysts are placing their bets on gambling stocks. The logic: No matter what happens to the overall economy, there will always be people eager to hit the poker tables.

Alan Dragovic, an analyst with SBC Warburg Dillon Read, recommends three "recession-proof" Malaysian gaming companies: Berjaya Sports Toto Bhd., Resorts World Bhd. and Tanjong PLC.

But Mr. Dragovic said investors should be cautious. Magnum Corp., which caters to high-end gamblers, will be most susceptible to an economic downturn and thus might be a lousy bet. (IHT)

An Asian Manager Who Looks 'Beyond Sentiment' to Value

Despite Region's Crisis, Merrill Adviser Likes Share Prices and Buys Selectively in Malaysia and Thailand

By Kenneth N. Gilpin

PORTFOLIO managers who deal with emerging markets can be forgiven if they do not remember 1997 fondly. During the past 12 months, these outposts of capitalism, long noted for volatility, registered swings that bordered on the seismic.

Few were put to a tougher test than the mutual funds whose exclusive province is Asia, where the economic and financial news has been unrelentingly bad for the better part of six months. Unlike those who run funds that allow them to invest around the world, these managers had no place to hide when disaster struck.

According to Lipper Analytical Services, 82 U.S.-based Pacific mutual funds that invest in any Asian countries except Japan lost about 36 percent of their value last year. "This is the price of being in an ice-cold sector," said A. Michael Lipper, president of Lipper Analytical. But, he said, 1998 is a new year.

"In theory, Korea and the other Asian countries have as good a chance as anybody of being among the better performers in 1998," he said. "And, hopefully, a relatively small percentage of an investor's money was in those markets as a hedge against domestic investments. It is a lot different for the manager whose life is tied up in this stuff. They can't hedge their current job."

Kara Tan-Bhala, a first vice president and senior portfolio manager at Merrill Lynch & Co., does not sound worried about her employment prospects, even though the two Asian funds she manages — Merrill's Emerging Tigers and Dragon funds — have seen their size lopped by 50 percent or more in the last 12 months.

Emerging Tigers, which had about \$220 million in assets at the start of the year, now has \$70 million. Dragon, a \$1.4 billion fund as 1997 began, now has about \$700 million. In both funds, sliding equity prices accounted for much of the decline; redemptions by frightened or tax-driven investors were the reasons for the rest.

The Dragon fund looks for capital gains in stocks and bonds issued in the Asia-Pacific region, while Emerging Tigers mainly buys equities in the region.

A native of Malaysia who recently became an American citizen, Ms. Tan-Bhala, 38, has seen her share of crises since 1986, when she started working in equity research in the Singapore office of HSBC James Capel.

The Tiananmen Square crackdown in Beijing in 1989 led to a rout in Asian markets. So, too, did Saddam Hussein's invasion of Kuwait a year later. The Hong Kong market has collapsed a number of times since then. But what happened last year was different.

"This is the first time it happened in the whole region," she said, "and this crisis has lasted much longer than the others, which were just brief spells."

Ms. Tan-Bhala has been managing the two Merrill funds since 1993, and at the start of last year, she said, the only market that really worried her was Thailand.

"We knew from the beginning of the year Thailand was going to devalue the baht," she said, leading her to sell short shares.

"But we were totally surprised by the spillover," she added, "because at the start of the year the other Asian countries looked O.K. in terms of fundamentals."

WHEN ASIAN currencies began to fluctuate wildly during the summer, Ms. Tan-Bhala used currency hedges to protect her equity positions.

Then, as conditions worsened, she started moving money out of the markets and into cash. She, like most other portfolio managers, prefers to be fully invested, so that tactic is adopted only in the most dire circumstances.

Before July, the Emerging Tigers fund's cash position was about 15 percent, she said, while the Dragon fund's was about 6 percent. Those numbers are now at 30 percent and 20 percent, respectively.

In addition, she sought refuge of sorts, adding to her positions in China, India and Singapore for the Emerging Tigers fund. In the Dragon fund, she put the majority of the funds assets to work in China and Hong Kong.

Through the summer and fall, Ms. Tan-Bhala said, "When the market is bad, it is hard to be in a sunny mood, because one side of your life is constantly crashing."

A trip to China in October, when the Hong Kong market started to crash, was particularly painful, she said.

Along with 100 other portfolio managers, Ms. Tan-Bhala attended a program in Shanghai sponsored by the Chinese government extolling the benefits of investing in the country.

"All of the officials who spoke totally ignored the crisis," she said. "After each speaker we would all rush to

the Bloomberg terminals to see how the markets were doing. It was very surreal, because every time we came out after a speech, the market would be down another 5 percent."

Nevertheless, Ms. Tan-Bhala said she had been doing some selective stock buying in Thailand and Malaysia.

She said she liked the energy sector in Thailand, an industry that draws its income in dollars, as well as utilities and "resilient" consumer stocks like those of mobile-phone companies.

But what she likes most are the current share prices of many of these companies.

"A lot of things out there are trading below book value," she said. "As an investor right now, you have to look beyond sentiment and look at value for money. There is more downside in the

near term, I think, but in three years to five years, you will probably see markets double where they are right now."

Advisors: Don't Flee

The reverberation of Asia's problems into other markets around the world has made the past year exceedingly difficult for investors in emerging-market funds.

Nevertheless, financial advisors say that no matter how gut-wrenching the recent past has been, it would be a big mistake to turn away from such investments.

"It is appropriate to own emerging-market stocks as part of a diversified portfolio, in part because they don't move in lock step with other

equity classes," said David H. Bügen, a partner at Bügen Stuart Korn & Cordon, a financial advisory firm in Chatham, New Jersey.

"But to be an investor in these markets, you need to have a strong stomach and a time horizon of at least 7 to 10 years," he added.

Lon Stasavolovich, president of Legend Financial Advisors in Pittsburgh, said investors "should expect big swings, up 70 percent one year and down 40 percent the next."

"That is the norm for emerging markets," he added. "People should expect a decent return over the long term, but they should expect a lot of ups and downs along the way."

New York Times Service

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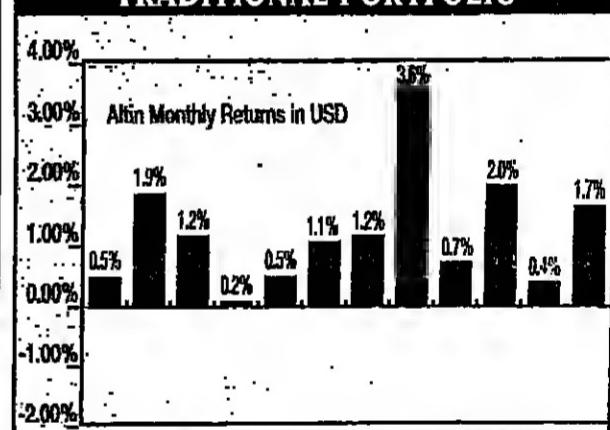
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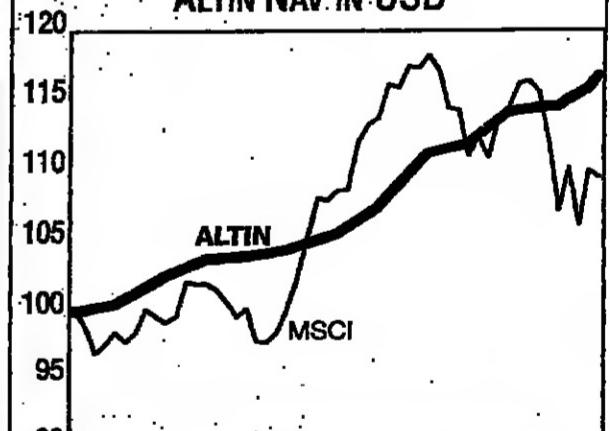
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WORLD ROUNDUP**Sabres Find Buyer**

ICE HOCKEY John Riga has reached agreement with Northrup Knoll, chairman of the Buffalo Sabres, to buy the National Hockey League franchise.

The deal still has to be approved by the league's board of governors. When it is completed, probably in February, the Knoll family will give up control of a franchise they have owned for its entire 28-year history.

Riga, the owner of Adciphia, a cable television company, was brought in by the Sabres organization in 1994 as a principal investor. (AP)

Wiberg May Miss Games

SKATING Pernilla Wiberg, the World Cup overall champion, might miss the Winter Olympics because of two broken ribs, a Swedish newspaper reported Friday.

The fractures were revealed in X-rays taken Thursday, several days after Wiberg took a hard fall in a race in Lienz, Austria.

Although it is not generally dangerous to compete with broken ribs, the pain of the injury could inhibit her performance.

The Olympics are in Nagano, Japan, from Feb. 7 to 22. (Reuters)

Indian Captain Is Sacked

CRICKET Sachin Tendulkar was sacked as India's captain Friday and replaced by the former skipper Mohammed Azharuddin.

Tendulkar's leadership was criticized by the Indian media because of the team's poor showing at last month's Champions Trophy in Sharjah and the mixed performance against Sri Lanka in a subsequent one-day series. (Reuters)

Barcelona Is the Best

SOCCER Borussia Dortmund, the European and world club champion is out the top club in the world says the International Federation of Football History and Statistics. The Federation, based in Wiesbaden, Germany, on Friday named Barcelona the world's top soccer club for 1997.

Barcelona, which won the European Cup Winners Cup and the Spanish Cup but finished second in the Spanish league, came first on 346 points according to the statisticians calculations.

They awarded Borussia Dortmund 308 points, Juventus, which lost the European final to Dortmund, came in third with 306 points. (Reuters)

Fabri Blames His Mother

SOCCER The Brazilian striker Rodrigo Fabri says a contract with the Spanish club Deportivo Coruna was invalid because it had been signed by his mother in his absence.

Real Madrid said Wednesday that it had signed the 21-year-old, although he will remain in Brazil on loan to Flamengo, a club in Rio de Janeiro, until June 30, 1999.

But Augusto Cesar Lendoiro, the Deportivo president, then said Rodrigo had also signed for his club and sent copies of the contract to FIFA, the world body, and the Spanish league.

Spanish newspapers reported Friday that Rodrigo's mother, Aparecida Fabri, had signed the disputed contract when her son was in Madrid in August with his Brazilian club Portuguesa for a pre-season tournament.

"He was away with his team and it was very bad to oblige his mother to sign under pressure," said Roberto Carlos, a Brazilian who plays for Real Madrid. (Reuters)

A Rosy Ending for Michigan's Perfect Season**Washington State Loses After Late Threat, 21-16**

By Malcolm Moran
New York Times Service

PASADENA, California — Beneath the darkening skies, Washington State's Ryan Leaf, the most productive passer in the history of the Pacific-10 Conference, maneuvered one last shot at the Michigan end zone. He needed to go 26 yards to give the Cougars the victory and end Michigan's hopes of its first national title in 49 years.

It never happened. For just as the Cougars put themselves in position for an all-or-nothing pass, the 84th Rose Bowl came to an odd, abrupt halt.

With no time-outs left, Leaf spiked the ball in the ground to stop the clock, but it was ruled too late: Michigan's breathless 21-16 victory was complete, and its season was perfect.

"It's something I never expected," Griese said. "It's something kids dream about. I just wanted to be a part of the team. I just wanted to be part of something special. I never wanted to be the all-star quarterback."

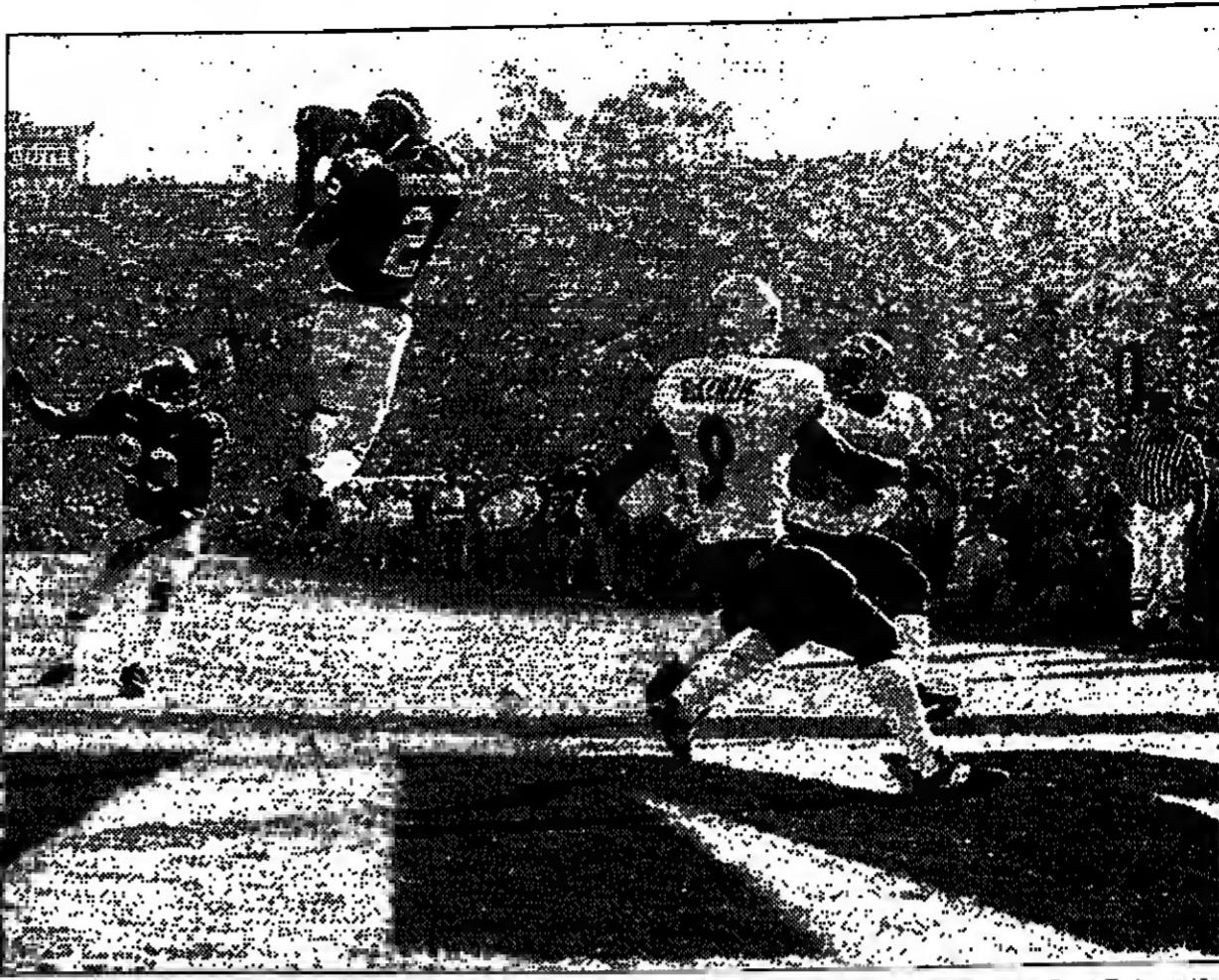
Leaf completed 17 of 35 passes for 331 yards even though the Cougars' rushing game was limited by a calf injury suffered by running back Michael Black, who gained 1,157 yards during the regular season. With Black restricted to 24 yards on seven carries — with just one rush in the second half — the Cougars gained 67 rushing yards.

Washington State, which had been held below 400 total yards just twice this season, produced just 156 yards in the half.

But the Cougars still gave themselves a chance to win. They held Michigan to 21 rushing yards. They took the lead, off Leaf's 15-yard touchdown pass to Kevin McKenzie with three minutes 17 seconds to play in the first quarter. Washington State earned a chance to create a 14-point lead early in the second quarter, driving from its 23 to the Michigan 12.

On third-and-eight, in the face of a Michigan blitz, Leaf was forced to scramble out of the pocket to his left. He threw a wobbly pass toward the left

"You're looking at a guy who was on



The Heisman Trophy winner Charles Woodson, a Michigan cornerback, leaping to intercept a pass in the Rose Bowl, watched by its intended target, Kevin McKenzie, No. 9, a Washington State receiver and William Peterson, 23.

sideline, intended for McKenzie. Woodson, closing quickly, made a leap.

Streets beat Ray Jackson along the right sideline and took Griese's throw for the 53-yard touchdown. The conversion tied the score at 7-7 with 7:08 to go in the half.

But then the Cougars settled into the efficient offense that had earned them their first Rose Bowl game appearance in 67 years. Leaf completed four of five passes for 73 of the 99 yards. From the Michigan 14, Shawn Timm took a handoff on an end around and beat safety Marcus Ray to the corner of the end zone for a 14-yard score. The extra point attempt was blocked and the Cougars led, 13-7.

The Wolverines responded quickly. On their next possession, Griese found Streets behind the cornerback Dee Mornkola for the 58-yard score that helped put Michigan ahead, 14-13.

The Wolverines then produced a 14-play, 77-yard drive that took control of the game.

Griese found tight end Jerome Tu-

man, who beat the freshman safety Lamont Thompson in the right side of the end zone for a 23-yard touchdown and eventually a 21-13 lead.

A 48-yard field goal by Lindell cut the Michigan lead to 21-16 with 7:25 to play. The Wolverines then came up with a 51-yard drive that lasted 6:49. A 23-yard punt by the backup place kicker,

Jay Feely, out of a field-goal formation, left the Cougars with 93 yards to go and just 29 seconds to get there.

Washington State came close but Michigan got the roses.

Leaf Heading for the NFL

Ryan Leaf announced Friday that he is leaving college for the National Football League. The Associated Press reported.

Leaf, speaking at a news conference one day after the Rose Bowl, said he will skip his senior season at Washington State.

The 6-foot-6 (1.98-meter), 240-pound (56-kilogram) quarterback finished third in the Heisman Trophy voting last month.

Helen Moody
Is Dead at 92;
Won 31 Major
Tennis Titles

Busby Buries Bitter Bowl Memories

Compiled by Our Staff From Dispatches

A year ago, Thad Busby led then top-ranked Florida State into the Sugar Bowl for what was supposed to be a national championship coronation. Three poor quarters later, to a chorus of boos, he was yanked from a 52-20 loss to Florida, the eventual national champion and the Seminoles' latest in-state rival.

The Florida State fans cheered Busby on Thursday night as he led the Seminoles, ranked fourth in The Associated Press poll, to a 31-14 victory over No. 9

COLLEGE BOWL ROUNDUP

Ohio State at the Superdome in New Orleans. The senior threw for 334 yards, completing 22 of 33 passes, insuring that Bobby Bowden's team will finish among the top four ranked teams in the final poll for the 11th consecutive year.

For the first 22 minutes, Bowden and the Ohio State coach, John Cooper, engaged in an entertaining game of chess.

They used no-buddle offenses, rotating quarterbacks and fake field-goal attempts to move their teams up and down the field. But when the sleight of hand was used, the Seminoles' passing attack, which averaged 340 yards a game during a 10-1 regular season, proved too much for the Buckeyes.

Busby, who threw for one touchdown and ran for another, and an outstanding group of receivers riddled Ohio State's

veteran secondary. The Buckeyes gave up only 11 passing plays for more than 26 yards all season. But in the first half alone, Busby completed three long passes that led to scores and a 21-3 halftime lead. E.G. Green made seven catches for 176 yards and a TD and was named the game's most valuable player.

Ohio State's two quarterbacks, Stanley Jackson and Joe Germaine, failed to move the Buckeyes against a swarming Seminole defense.

It was Busby's day. He broke Florida State's season passing yardage record with 3,301, threw for 25 touchdowns and completed 60.3 percent of his passes.

"I think I've earned the respect of the fans," Busby said. "It's even more rewarding after what I went through last season."

No. 6 Florida 21, No. 11 Penn State 8

In Orlando, Penn State, playing without Curtis Enis, its star running back, and Joe Jurevicius, its star receiver, managed only 139 yards of total offense as it lost to Florida in the Citrus Bowl.

Enis and Jurevicius were both suspended for the game. Florida (10-2) had its starting tailback and top wide receiver. Both gave huge performances. Fred Taylor rushed 43 times for 243 yards. Jacquie Green had only two catches, but they went for touchdowns of 37 and 35 yards.

Penn State (9-3) found out a yard is a long way to go without Enis. The junior

rushed for 1,363 yards and scored 19 touchdowns for the Nittany Lions this season. But he was suspended for accepting a suit from an agent, then announced he will enter the NFL draft. He would have been useful when Penn State failed on fourth and goal from the 1-yard line twice in the second quarter.

Jurevicius, who made 39 catches for 817 yards and 10 touchdowns this season, was suspended by Joe Paterno, the Penn State coach, because of his academic performance.

The last time the Nittany Lions were this bad in a bowl game was in 1962 — against Florida in the Gator Bowl.

Florida rushed 59 times and made only 19 pass plays.

"We just handed the ball off to Fred and tried not to beat ourselves," said Steve Spurrier, the Florida coach. "I hope we can pitch it around a little better next year, but right now, we're not a real great pitching team."

No. 7 North Carolina 42, Virginia Tech 8

In Dallas, Tar Heels put on an impressive show against the Hokies in the Gator Bowl in Jacksonville.

Chris Keldorff, the North Carolina quarterback completed 17 of 28 for 290 yards in the first quarter — and passed for three touchdowns. Dre' Bly, cornerback, blocked one punt and recovered another for a score, and the defensive end Greg Ellis recovered a fumble in the end zone that gave the Tar Heels a 22-0 lead 15:07 into the game.

A&M (9-4) was led by linebacker Dat Nguyen, who intercepted a pass and had 20 tackles. (NYT, AP)



Thad Busby passing.

The victory was an impressive debut for Carl Torbush, who took over as coach three weeks ago, after Mack Brown left for Texas.

No. 8 UCLA 22, No. 20 Texas A&M 23

In Dallas, UCLA wiped out a 16-point deficit to snag the Cotton Bowl.

The tight end Ryan Neufeld ran five yards with 7:05 left for his first rushing touchdown to complete the comeback for the Bruins. Cade McNown threw two touchdown passes and ran for a third. Skip Hicks gained 140 yards for UCLA, which won its 10th straight game.

A&M (9-4) was led by linebacker Dat Nguyen, who intercepted a pass and had 20 tackles. (NYT, AP)

Patriots Seek Revenge in Inhospitable Pittsburgh

By Thomas George

New York Times Service

New England (11-6) at Pittsburgh (11-5) On Dec. 13 in New England, Pittsburgh trailed 14-0, then 21-13, before winning in overtime, 24-21. On Saturday, the Steelers are at home at Three Rivers Stadium where they have won 12 of 16 post-season games and won five straight against the Patriots. New Eng-

NFL PLAYOFF MATCHUPS

land needs strong run defense, against Jerome Bettis. It must also produce a physical game and show stamina to withstand Kordell Stewart's finishing push. The Patriots will surprise. Prediction: Patriots, 19-17.

Minnesota (10-7) at San Francisco (13-3) Confidence is soaring among the Vikings, especially after they rallied in their startling playoff victory over the Giants. Minnesota hits the road again Saturday at 3Com Park, where on Dec. 12 it lost to San Francisco, 28-17. The Vikings couldn't block Chris Doleman nor quell the 49ers' passing game. Familiarity will help Minnesota, but Steve Young's arm makes the 49ers winners. 49ers, 24-20.

Tampa Bay (11-6) at Green Bay (13-3) The Tampa Bay defense — Pro Bowl linebackers Derrick Brooks and Hardy Nickerson flow to the ball and punish — again meets one of the league's most productive offensive players (Barry Sanders of the Lions last week, quarterback Brett Favre this week).

Sunday's result, however, hangs on the Green Bay defense vs. the Tampa Bay offense. This is Green Bay's edge. Packers, 25-16.

Denver (13-4) at Kansas City (13-3) The Broncos and the Chiefs habitually compete for regular-season dominance of the AFC West, and on Sunday they meet for the first time in the postseason. Denver has two 1,000-yard pass catchers (receiver Rod Smith and tight end Shannon Sharpe), a 1,500-yard rusher (Terrell Davis) and a 3,000-yard passer (John Elway).

But Kansas City led the conference in interceptions (21), earned 54 sacks and allowed only 91 second-half points. Also, Kansas City is unbeaten (8-0) at home this season. Linebacker Derrick Thomas and cornerbacks Dale Carter and James Hasty will spark a Kansas City victory. Chiefs, 20-17.

Iverson and 76ers Tame the Grizzlies

The Associated Press

Allen Iverson had fun in Vancouver and the Grizzlies paid the price.

The Philadelphia 76ers scoring and passing to a 115-104 victory Thursday over Vancouver. The second-year point guard had 29 points and 11 assists as six 76ers scored in double figures.

"Early in the game when I saw him pushing it and dishing it out, getting people involved. I kind of sensed that he was really conscious about getting everyone involved," said Larry Brown, the 76ers coach.

"I thought he looked like he was having fun for a change, that was the key,"

Iverson took control late in third quarter, scoring 10 points over the final four minutes as Philadelphia took the lead to stay in the only National Basketball Association game played Thursday.

Iverson was quick to agree with Brown's assessment that



Vancouver center Bryant Reeves soars above Philadelphia's Clarence Weatherspoon for the dunk.

Ottawa Is Scoreless, Again Senators Tie Bruins, 0-0, for 2d Pointless Game

The Associated Press

The Ottawa Senators failed to score for the second straight game. But at least this time, they didn't lose. With Damian Rhodes making 24 saves, the Senators played the first scoreless tie in their six-year history Thursday night, matching zeros with the Boston Bruins.

"We had some good chances tonight and I missed a few," said Alexei Yashin, Ottawa's leading scorer. "But the final

NHL ROUNDUP

was 0-0 — not a good hockey score. A lot of fans are disappointed, but we'll take the road tie."

Season

Helen Moody Is Dead at 92; Won 31 Major Tennis Titles

The Associated Press

CARMEL, California — Helen Wills Moody, 92, who won eight Wimbledon titles and was one of the premier figures in America's golden era of sports, died Thursday in Carmel, California.

Moody, who ruled tennis in the 1920s and '30s, was known for hitting harder than any other woman at the time.

She won 31 major titles, including seven championships in the United States and four in France.

Nicknamed "Little Miss Poker Face" and "Queen Helen," Moody won her first U.S. championship in 1923 and retired after winning Wimbledon in 1938 and led a reclusive life.

She was 18-2 in singles matches at the Wightman Cup, a showcase event between Britain and the United States.

Moody, whose trademark white eyeshade became an enduring tennis fad, learned the game without ever taking a lesson after watching players at the Berkeley Tennis Club in California.

"Children are great imitators," she said. "I watched the seniors play and the visiting Australian champions."

One year after she started playing at age 14, Moody won the national tennis championship for girls. She was just 17 in 1923, when she won the U.S. women's singles championship — the youngest champion up to that time.

She won an gold medal in Paris in 1924 in the last tennis competition in the Olympics until the 1988 Seoul Games.

Moody was inducted into the International Tennis Hall of Fame in 1959.

She wrote three books, including her autobiography "15-30: The Story of a Tennis Player," published in 1937. In the 1920s, she also wrote a tennis instruction book and a mystery, "Death Serves an Ace," published in 1937.

She was also an accomplished artist, with her drawings and paintings exhibited in the United States and abroad.

She was divorced in 1937 and remarried two years later.



STANDING FIRM — Celtic's Enrico Annoni, left, tackling Rangers' Brian Landrup in Glasgow's Old Firm derby Friday. Craig Burley and Paul Lambert scored as Celtic shut out the Premier League leader. Celtic had not beaten its rival in their last 11 league meetings.

Spinner Rocks South Africa

Reuters

SYDNEY — Michael Bevan, who has failed as a test batsman, justified his recall for Australia as a specialist spin bowler, claiming two wickets Friday as South Africa labored to 197 runs for five on the first day of the second cricket test.

Australia dropped Bevan as a test batsman during the tour to England in July, but turned to the left-arm wrist-spinner as support for leg-spinner Shane Warne.

Bevan responded by dismissing Herschelle Gibbs for 54 and Brian McMillan for six in the final session at Sydney Cricket Ground.

He finished with figures of two for 41

in 20 overs, the best performance by an Australian bowler on a day of often painful slow scoring by South Africa.

South Africa captain Hansie Cronje, who earlier won the toss, remained unbeaten on 56, his 10th test half-century and second in successive tests, after occupying the crease for four hours.

Jacques Kallis, whose century helped save the first test in Melbourne, fell when he wandered away from his wicket and was run out by fielder, Ricky Ponting.

The start of play was delayed by 30 minutes to allow a waterlogged area to dry after ground staff excessively watered an adjacent wicket Thursday.

The 'Other Oksana' of Ice Skating

Now Pasha Grishuk, She Heads for Another Olympic Title

By Jere Longman
New York Times Service

MUNICH — They were both named Oksana, they both won gold medals in figure skating at the 1994 Olympic Winter Games and they both had blond-from-a-bottle hair. Even Dick Button, a two-time Olympic champion and noted skating commentator, said last year that he had spoken to Oksana Grishuk for several minutes, believing she was Oksana Baiul.

Skating for Russia, Oksana Grishuk and her partner, Yevgeni Platov, won a gold medal in ice dancing at the 1994 Games in Lillehammer, Norway, and remain undefeated since then — 20 consecutive victories. They are heavily favored to win a second gold medal in February at the 1998 Winter Games in Nagano, Japan. But even knowledgeable skating people have had difficulty telling one Oksana from the other.

So, last September, Grishuk did something about it. She changed her name from Oksana to Pasha, which evokes for her the passion with which she lives her life and performs her skating. "If I am taking a name for the rest of my life, it should be one that reflects my personality," said Grishuk, 25. "I am a passionate person."

Grishuk was abandoned by her father at a young age and grew up strong-willed and independent. She has pinballed from one coach to another. She has had heated confrontations with other skaters, aspires to be a movie star and skates with such speed, energy, emotion and technical expertise that she and her partner are in a class by themselves.

"I got tired of being confused all the time with Oksana Baiul," Grishuk said. "I'd call to make a dental appointment, I'd say my name and the person would say, 'Oksana, Oksana Baiul.' I would say, 'No, Oksana Grishuk,' and they would say, 'No, Oksana from the Olympics.' I am tired of this."

There is no love lost between Grishuk and Baiul,

whom Grishuk called the "bad Oksana, the criminal Oksana," in reference to a car wreck Baiul had while driving under the influence of alcohol.

Sometimes her passion has brought unwanted consequences. Formerly, Grishuk and Platov were coached by Natalya Dubova and were training partners of the two-time Olympic medallists Maja Usova and Alexander Zhulin. After the 1992 Winter Games, at which Usova and Zhulin won a bronze medal, while Grishuk and Platov finished fourth, Grishuk had a widely reported affair with Zhulin, who was married to Sharon Stone.

As recounted in David Wallachinsky's "The Complete Book of the Winter Olympics," Usova got her revenge during a post-Olympic skating tour when she "walked into Spago's restaurant in Hollywood, saw Grishuk sipping a margarita at the bar, came up behind her, grabbed her hair and smashed her head against the counter."

The International Skating Union's media guide says Dubova, the coach, then "chased her away" after Grishuk "had a love affair with another ice dancer."

Grishuk said recently, "I was not chased away; I just left."

Last summer, in another confrontation reported to be boyfriend-related, Grishuk said she was struck by the American skater Nicole Bobek.

When channeled into ice dancing, Grishuk's passion is forceful and productive to the point of invincibility. "She can be difficult to work with," said

Platov, her partner. "It's hard to change her mind. She fights every step. But it works out. That's why she is so good."

Around members of the media, she is among the friendliest and accessible of skaters. After her recent victory in the Champion Series Final, Grishuk sat in her fur coat and spoke with a French reporter for nearly an hour, eagerly answering questions ranging from skating to marriage to her incipient acting career.

"People say I am like Madonna, but I don't want to be like Madonna," she said, adding that she preferred to model herself after Sharon Stone.

After winning a gold medal in 1994, Grishuk and Platov moved to the United States where they could find better training conditions, more opportunities to earn a living and a better life than in the fractured, chaotic former Soviet Union.

This season, Grishuk and Platov are performing a powerful free-dance routine called "Memorial." The music was composed by Michael Newman, a Briton, in memory of those who died in a soccer riot. Grishuk and Platov have expanded the symbolism to eulogize skaters and coaches who have died recently, as well as those who were killed in Sarajevo during the Bosnian conflict. Grishuk performs the routine in a costume that contains a large white cross down the front.

"We want others to understand how tragic it is to miss people who have put their souls and their talents and their lives into figure skating," Grishuk said. As they continue to push the rules of ice dancing, which seems to rely on reputation as much as performance, Grishuk and Platov are never more than a stone's throw from controversy. At the 1994 Olympics, they won despite breaking the rule that prohibits dancers from being apart for more than five seconds at a time.

This season, they have been penalized for lifts that stretched the rules, and have won every competition despite falling twice. If they can continue their streak, they would be the first ice dancers to repeat as Olympic champions.



Pasha Grishuk and her partner Yevgeni Platov.

SCOREBOARD

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

WESTERN CONFERENCE

CENTRAL DIVISION

PACIFIC DIVISION

TUESDAY'S RESULTS

PACIFIC DIVISION

ATLANTIC DIVISION

WESTERN CONFERENCE

CENTRAL DIVISION

PACIFIC DIVISION

THURSDAY'S RESULTS

ICE HOCKEY

NHL STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

WESTERN CONFERENCE

PACIFIC DIVISION

TUESDAY'S RESULTS

PACIFIC DIVISION

ATLANTIC DIVISION

WESTERN CONFERENCE

CENTRAL DIVISION

PACIFIC DIVISION

THURSDAY'S RESULTS

SOCER

SCOTTISH PREMIER DIVISION

HEARTS, 2; Hibernian, 2

TUESDAY'S RESULTS

BASKETBALL

NATIONAL LEAGUE

CINCINNATI vs. LHP Jim Crowell and Justin Towle to 1-year contracts.

FOOTBALL

COLLEGE

ASU vs. UL

THURSDAY IN JACKSONVILLE, FLA.

ROSE BOWL

FRIDAY IN NEW ORLEANS

FLORIDA STATE, 31; OHIO STATE, 14

CRICKET

AUSTRALIA vs. SOUTH AFRICA

SECOND TEST, FIRST DAY

FRIDAY IN SYDNEY

ZIMBABWE vs. SWAZILAND, 2nd DAY

THREE-DAY MATCH, 2nd DAY

FRIDAY IN MATARA, SRI LANKA

Zimbabwe, 311 for six

SOCER

COLLEGE

DUKE vs. RUTGERS

THURSDAY IN NEW YORK CITY

COLLEGE

ASU vs. UL

THURSDAY IN NEW YORK CITY

COLLEGE

ASU vs. UL

THURSDAY IN NEW YORK CITY

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ASU vs. UL

THURSDAY IN NEW YORK CITY

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DAVE BARRY

Dare to Be a Better Person

Miami — Right now, while you're still burping up little gaseous reminders of the estimated 78 cheese puffs you consumed on New Year's Eve, is the time to make your New Year's resolutions.

Why make resolutions? Because you can be a better person. I bet you know somebody who seems to be perfect — somebody who always looks terrific; somebody who manages to devote plenty of time to both family and career; somebody whose house is spotless, whose children are well-behaved and whose dog does not smell as if it sleeps on a bed of decomposing raccoons.

You wonder how that person "does it all," don't you? Well,

Make some New Year's resolutions to become a more attractive you.

stop wondering and do something! Start right now! Get up off the sofa, put on some active sportswear, and kill that person with a crowbar!

No, seriously, you need to make some New Year's resolutions so that you can become a better you — a more attractive you; an organized you; a you that is . . . well, less like you.

At this point you are saying: "Dave, I would love nothing better than to be less like myself, but every year I make the same New Year's resolution, which is that I will lose weight, and currently my thighs are the diameter of the trans-Alaska pipeline."

Don't feel bad! Many people have trouble sticking to their resolutions, and there is a simple scientific explanation for this. In 1987, a team of psychologists conducted a study in which they monitored the New Year's resolutions of 275 people.

After one week, the psychologists found that 92 percent of the people were keeping their resolutions; after two weeks, we have no idea what happened, because the psychologists had quit monitoring.

"We just lost our motivation," they

Merce Cunningham Group To Dance at Paris Opera

Agency France-Press

PARIS — Merce Cunningham, one of the most influential choreographers of his generation, is bringing his American company to the Paris Opera for two weeks, beginning Tuesday.

Cunningham, 78, still performs regularly, seeking new avenues of movement to explore in art.

His company will perform two programs at the Palais Garnier. The first, to Jan. 11, includes "Rune," created in 1959, and "Event 1998," a set of dances created for the Opera. The second program, from Jan. 13 to 17, will include a world premiere, "Pond Way."

reported. "Also, we found ourselves eating Twinkies by the case."

So we see that keeping resolutions can be difficult. But you CAN do it, if you follow these practical tips:

1. BE REALISTIC.

Many people give up because they set their sights too high." In making a New Year's resolution, pick a goal that you can reasonably expect to attain, as we see in these examples:

Unrealistic Goal: "In the next month,

I will lose 25 pounds."

Realistic Goal: "Over the next year, taking it once or twice a time, I will gain 25 pounds, and my face will bloat like a military life raft."

Unrealistic Goal: "I will order some Chinese food."

Unrealistic Goal: "I will read a good book."

Realistic Goal: "I will examine the outside of some good books, then waddle over to the part of the bookstore where they sell pastries."

Unrealistic Goal: "I will do volunteer work for a worthy cause."

Realistic Goal: "I will give myself a hearty scratching."

2. THINK POSITIVE.

To succeed, you must believe in yourself. Write this motivational statement in large letters on a piece of paper and tape it somewhere where you will see it often, such as on the inside of your eyeglasses:

"I CAN do it, and I WILL do it!"

3. LEARN FROM YOUR MISTAKES.

Let's say that, like millions of weight-conscious Americans, you think you eat sensibly: Your diet consists almost exclusively of mineral water and low-calorie, low-fat foods. And yet you're still gaining weight. Why? Because you're drinking water with minerals in it. Minerals are among the heaviest substances in the universe, second only to guests on the Jerry Springer show. Think about it: The Appalachian mountains and most major appliances are essentially big wads of minerals, and you're putting those things into your body. No wonder you're gaining weight!

FACT: The word "Perrier" is French for "balloon butt."

I have run out of room here, thank God, so let me say in closing that I wish you the best of luck with your 1998 resolutions, and I will do the best to keep my own resolution, which is to give you, every single week, the most useful, informative and accurate columns I possibly can. Starting next year.

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Can They Stand the Heat? The Art of the Insult

International Herald Tribune

PARIS — This is the time for polite post-holiday lies: "Just what I always wanted," "Of course it fits," "Stop worrying darling, no one noticed a thing." Perhaps as an antidote it is also the time for speaking out rudely. Leave it to writers for that.

Writers are sometimes kind about each other but this is usually . . .

MARY BLUME

category of literary log-rolling, writes James Charlton in "Fighting Words," a short and pious anthology of writers lambasting each other. "Venom and abuse," he says, "that's what comes from the heart."

It's a tough view substantiated by 400 quotations that start with Aristophanes' "Europides" ("A cliché anthology . . . and maker of ragamuffin manikins") and go on to Norman Mailer on J.D. Salinger ("The greatest mind ever to stay in prep school"). In between, things are no better. Life in the Mermaid Tavern, for example, may have been convivial, but Ben Jonson got into later when Tennyson said "reading him is like wading through glue."

Tennyson further pronounced that "Carlyle is a poet to whom nature has denied the faculty of verse" and that Browning "has plenty of music in him, but cannot get it out." Then Tennyson got it from Chesterton ("He could not think up the height of his own towering style"), while in turn Chesterton got it from Pound, who likened him to "vile scum on a pond."

Pound, of course, got it from everyone — Nabokov, for one, called him "that total fake" — and so it goes, with every pronouncement bringing its punishment, often deserved. Byron was surely unkind to call genial Geoffrey Chaucer "obscene and contemptible," but then Byron was repaid in spades:

"He seems to me the most vulgar-minded genius that ever produced a great effect in literature," (George Eliot)

"He had not the intellectual equipment of a supreme modern poet; except for his genius he was an ordinary 19th-century English gentleman, with little culture and no ideas." (Matthew Arnold)

Of course neither Arnold nor Eliot

was exempt from their colleagues'



bitchery. "Not as handsome as his photographs — or his poetry," said Henry James of Arnold; while of Eliot he claimed in his maidenly way to have fallen in love with "this great horse-faced bluestocking . . . Altogether she has a larger circumference than any woman I have ever seen."

T.S. Eliot's put-down of James is deservedly famous: "Henry James has a mind so fine no idea could violate it." H.G. Wells ends a section on James's style: "He spares no resource in telling of his dead inventions. . . His vast paragraphs sweat and smoulder; they could not sweat and elbow and struggle more if God himself was the processional meaning to which they sought to come."

At least this is literary criticism; both George Eliot and Jane Austen were slated by their peers simply for being women. "I dislike Jane, and am prejudiced in fact, against all women writers. They are in another class. Could never see anything in 'Fride and Prejudice,'" Nabokov wrote Edmund Wilson, who defended Austen: "Her greatness is due precisely to the fact that her attitude toward her work is like that of man, that is, of an artist, and quite unlike that of the typical woman

novelist, who exploits her feminine daydreams."

Even the wickedest tongue is apparently incapable of being beastly to P.G. Wodehouse although Sean O'Casey called him "English literature's performing flea."

"Thinking it over," Wodehouse reflected, "I believe it over."

As always, Oscar Wilde — "the amiable, irresponsible, esurient Oscar," said Whistler in the peroration to a massive insult — is impossible to resist. Of George Bernard Shaw: "An excellent man: He has no enemies, and none of his friends like him." Of Henry James: "Mr. Henry James writes fiction as if it were a painful duty." Of himself: "It is curious how vanity helps the successful man and wrecks the failure. In old days half my strength was my vanity."

But peace: Charlton and the small Algonquin Books of Chapel Hill Press in North Carolina have produced enough bile to burst the season's inflamed livers. Let us end with a sage observation from the New York writer Fran Lebowitz: "I prefer dead writers because you don't run into them at parties" — and a sager one from W.H. Auden, quoted in Kemp's anthology:

"No poet or novelist wishes he were the only one who ever lived, but most of them wish they were the only one alive, and quite a few fondly believe their wish has been granted."

PEOPLE

THE French writer Bernadette Clavel turned down the Legion of Honor he was awarded this week. Ruled the third most popular author in France, Clavel said he preferred to join the illustrious ranks of Hector Berlioz, George Sand, Guy de Maupassant and Marcel Aymé, all of whom also had refused France's highest honor. "I feel better to be in the shadow of such giants than to be part of the big crowd of people among whom those who earned the distinction are mingled with the many who paid for it," Clavel said in a statement.



ON THE SLOPES — Prince Harry, left, and his cousin Zara Phillips, Princess Anne's daughter, taking a ski lift in the Swiss resort of Klosters. Harry and William were accompanying their father, Prince Charles, on his annual ski vacation.

said. Edward VII and his mistress Lillie Langtry often visited the residence.

A Lincoln Center audience came to hear Olga Borodina, then cheered when Marilyn Horne stepped in for the flu-stricken mezzo-soprano. Horne had planned to be a spectator at Avery Fisher Hall for the annual New Year's Eve pension benefit of the New York Philharmonic. But after a frantic call from Deborah Borda, the Philharmonic executive director, Horne agreed to replace Borodina, and sang arias from "Carmen" and "Samson et Dalila."

A secret tunnel of love reputed to have been used in the 17th century by King Charles II of England to visit one of his mistresses probably never existed, archaeologists say. The alleged tunnel between the royal residence in Newmarket in eastern England and Nell Gwynn's cottage nearby is almost certainly a myth, the Daily Telegraph reported. However, a Victorian-era mansion now standing on part of the old palace was used by another courting couple. Earlier this century, the newspaper magazine's album of the year. "Parting words from the MC with the majestic voice, compelling flow, and superb lyrics," the magazine said of the rapper's final effort, titled "Life After Death." No arrests have been made in the murder of the 24-year-old rapper, whose real name was Christopher Wallace.

In the Costa-Gavras film "Mad City," John Travolta was originally cast as the eager reporter and Dustin Hoffman as the hapless janitor. The trouble was, Travolta did not think he could bring anything original to either role. "Then I get this call from Dustin while he's having dinner in a restaurant, and we're talking for something like 45 minutes," Travolta said. "He's trying to convince me what I can do with this part." Thus Travolta landed the role of the frustrated janitor who turns hostage-taker.

Hollywood's Rosy Year Clouded by Growing Costs

And Hollywood studios, which made most of the films, will probably derive little benefit from the record because their own production and promotion costs have soared.

"Revenues are simply not growing as much as costs," said Larry Gerbrandt, a senior analyst at Paul Kagan and Associates, a media research firm.

Not counting the re-release of "Star Wars," the number of tickets sold was estimated at just over 1.3 billion, which was \$5.76 million.

But the rise in box office revenue was generated partly by higher ticket prices.

Figures compiled by Entertainment Data Inc. show that the 10 top-grossing

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Indonesia Crowds Kill the Police

Ministers Act to Block Terrorists

The Dollar

S&P 500

Dow Jones

Nasdaq

Euro

Brent Oil

Crude Oil

Gasoline

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